

**EXHIBIT 8**

**Kopacz Deposition Transcript**

- MARTI KOPACZ - VOLUME 1-  
IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN

In Re ) Chapter 9

CITY of DETROIT, MICHIGAN, ) Case No. 13-53846

Debtor. ) Hon. Steven Rhodes

DATE: July 31, 2014

TIME: 9:12 a.m.

VOLUME 1  
VIDEOTAPED DEPOSITION OF MARTI  
KOPACZ, held at the offices of Squire Patton  
Boggs, 30 Rockefeller Plaza, New York, New York,  
pursuant to Order, before Hope Menaker, a  
Shorthand Reporter and Notary Public of the State  
of New York.

1 - MARTI KOPACZ - VOLUME 1-  
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13 Appearing on behalf of Assured Guaranty  
14 Municipal Corporation  
15  
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17 Clark Hill, PLC  
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21 Appearing on behalf of the Retirement Systems  
22 for the City of Detroit

- MARTI KOPACZ - VOLUME 1-

## APPEARANCES

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1 - MARTI KOPACZ - VOLUME 1-

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21      Appearing on behalf of Macomb County

<p style="text-align: right;">Page 5</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 STEPHEN D. LERNER, ESQ.  3 Squire Patton Boggs  4 30 Rockefeller Plaza  5 New York, New York 10112  6 And  7 SCOTT A. KANE, ESQ.  8 Squire Patton Boggs  9 221 E. Fourth Street  10 Suite 2900  11 Cincinnati, Ohio 45202  12 Appearing on behalf of the Witness  13  14 JONATHAN M. WAGNER, ESQ.  15 Kramer Levin Naftalis &amp; Frankel LLP  16 1177 Avenue of the Americas  17 New York, New York 10036  18 Appearing on behalf of the Ad Hoc COPS Holders  19  20 JAYE QUADROZZI, ESQ.  21 Young &amp; Associates  22 Orchards Corporate Center  23 27725 Stansbury Blvd. Suite 125  24 Farmington Hills, Michigan 48334  25 Appearing on behalf of Oakland County</p>	<p style="text-align: right;">Page 7</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 INDEX  3 WITNESS: MARTI KOPACZ  4 EXAMINATION BY PAGE  5 MR. STEWART 12  6 MR. HACKNEY 98  7  8 REQUEST FOR ADDITIONAL INFORMATION PAGE  9  10 E-mail Communications 295  11  12 INSTRUCTED NOT TO ANSWER PAGE  13  14 MR. KANE 344  15  16 EXHIBITS FOR IDENTIFICATION  17 NUMBER DESCRIPTION PAGE  18 1 Expert Report of Martha E.M. Kopacz 13  19  20 2 4/22/14 Court Order 14  21  22 3 Jones Day Spreadsheet Listing 20  23 Materials Provided by City of  24 Detroit to Phoenix Management  25 Services</p>
<p style="text-align: right;">Page 6</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2  3 OLGA KOGAN, ESQ. (Via telephone)  4 Davis Polk &amp; Wardwell LLP  5 450 Lexington Avenue  6 New York, New York 10017  7 Appearing on behalf of Merrill Lynch  8  9  10 HEATHER HUBBARD, ESQ. (Via telephone)  11 Waller Lansden Dortch &amp; Davis, LLP  12 Nashville City Center  13 511 Union Street  14 Suite 2700  15 Nashville, TN 37219  16 Appearing on behalf of US Bank  17  18  19 ALSO PRESENT:  20 Jochen Schmitz, Greenhill &amp; Co. LLC  21 Thomas Devine, Videographer  22 Brian F. Gleason, Phoenix  23  24  25</p>	<p style="text-align: right;">Page 8</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 THE VIDEOGRAPHER: Good morning.  3 We're now on the record.  4 The date is July 31st, 2014, and the  5 time is approximately 9:12 a.m. We are  6 located at the offices of Squire Patton  7 Boggs, 30 Rockefeller Center, New York, New  8 York.  9 We are taking the deposition of Marti  10 Kopacz In Re: City of Detroit bankruptcy,  11 U.S. Bankruptcy Court, Eastern District of  12 Michigan, Southern Division, Chapter 9, Case  13 Number 13-53846.  14 My name is Thomas Devine and I am the  15 video specialist with Elisa Dreier Reporting.  16 The court reporter is Hope Menaker,  17 also with Elisa Dreier Reporting.  18 At this time I would like to ask the  19 attorneys to please introduce themselves for  20 the video record. Please state your name,  21 the firm with which you are affiliated and  22 whom you represent after which the court  23 reporter will swear in the witness, then we  24 may proceed.  25 MR. STEWART: I'll start. Geoffrey</p>

2 (Pages 5 to 8)

<p style="text-align: right;">Page 9</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Stewart, Chris DiPompeo and Alex Blanchard of</p> <p>3 Jones Day for the City of Detroit.</p> <p>4 MR. HACKNEY: Steve Hackney of</p> <p>5 Kirkland &amp; Ellis for Syncora.</p> <p>6 MR. WAGNER: Jonathan Wagner, Kramer</p> <p>7 Levin Naftalis &amp; Frankel representing the Ad</p> <p>8 Hoc Holders</p> <p>9 MR. PEREZ: Alfredo Perez, Weil,</p> <p>10 Gotshal &amp; Manges, for Financial Guaranty</p> <p>11 Insurance Company.</p> <p>12 MR. BRILLIANT: Allan Brilliant,</p> <p>13 Dechert LLP, on behalf of Macomb County by</p> <p>14 and through its public works commissioner --</p> <p>15 Allan Brilliant, Dechert LLP, on behalf of</p> <p>16 Macomb County by and through its Public Works</p> <p>17 Commissioner, Anthony Marrocco, and on behalf</p> <p>18 of Macomb Interceptor Grain Green District.</p> <p>19 MS. DEEBY: Shannon Deebly of Clark</p> <p>20 Hill on behalf of the General Retirement</p> <p>21 System of the City of Detroit and the Police</p> <p>22 and Fire Retirement System of the City of</p> <p>23 Detroit.</p> <p>24 MR. KANE: Scott Kane of Squire</p> <p>25 Patton Boggs for the witness.</p>	<p style="text-align: right;">Page 11</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. STEWART: We need to set up the</p> <p>3 dialing.</p> <p>4 THE VIDEOGRAPHER: Should I go off</p> <p>5 the record for a second?</p> <p>6 MR. STEWART: For one second while we</p> <p>7 do that, yeah.</p> <p>8 THE VIDEOGRAPHER: Okay. The time's</p> <p>9 9:14. We're going off the record.</p> <p>10 (Whereupon, there was a brief recess</p> <p>11 in the proceedings.)</p> <p>12 MR. STEWART: Back on the record.</p> <p>13 Hello. This is Marti Kopacz's deposition in</p> <p>14 New York. Is anyone on the line?</p> <p>15 Hi. This is Marti Kopacz's</p> <p>16 deposition in New York. Is anyone on the</p> <p>17 telephone line?</p> <p>18 MS. KOGAN: Yes.</p> <p>19 MR. STEWART: Okay. We're going to</p> <p>20 go on the record, but why don't you just</p> <p>21 state your name and spell it for the court</p> <p>22 reporter?</p> <p>23 MS. KOGAN: Sure. My name is Olga,</p> <p>24 O-L-G-A, Kogan, K-O-G-A-N, and I'm from Davis</p> <p>25 Polk on behalf of Merrill Lynch.</p>
<p style="text-align: right;">Page 10</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. LERNER: Peter Lerner of Squire</p> <p>3 Patton Boggs for the witness.</p> <p>4 MR. GLEASON: I'm not an attorney.</p> <p>5 MS. HITCHINS: Kathleen Hitchins with</p> <p>6 Sidley Austin, National Pub -- on behalf of</p> <p>7 National Public Finance Guaranty Corporation.</p> <p>8 MS. SCHAPIRA: Lisa Schapira of</p> <p>9 Chadbourne &amp; Parke on behalf of Assured</p> <p>10 Guaranty Muni Corp.</p> <p>11 MS. QUADROZZI: Jaye Quadrozzi of</p> <p>12 Young &amp; Associates on behalf of Oakland</p> <p>13 County.</p> <p>14 MR. ALBERTS: Sam J. Alberts from</p> <p>15 Dentons on behalf of the Official Committee</p> <p>16 of Retirees.</p> <p>17 THE VIDEOGRAPHER: Thank you.</p> <p>18 MR. STEWART: Is there anyone on the</p> <p>19 phone? Is there anyone on the phone?</p> <p>20 MR. KANE: No. I -- it seems --</p> <p>21 MR. LERNER: There were people who</p> <p>22 indicated they were dialing in, but we</p> <p>23 weren't responsible for setting up the call.</p> <p>24 So whoever -- whoever set the dial in, ought</p> <p>25 to organize --</p>	<p style="text-align: right;">Page 12</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. STEWART: Anyone else on the</p> <p>3 phone?</p> <p>4 MS. HUBBARD: Yes. Heather Hubbard,</p> <p>5 H-U-B-B-A-R-D, at Waller Lansden for U.S.</p> <p>6 Bank.</p> <p>7</p> <p>8 THE VIDEOGRAPHER: Okay. I'm going</p> <p>9 to bring us back on the record.</p> <p>10 (Whereupon, a brief discussion was</p> <p>11 held off record.)</p> <p>12 THE VIDEOGRAPHER: The time now is</p> <p>13 9:18 a.m. and we're back on the record.</p> <p>14 MR. STEWART: Okay. Swear the</p> <p>15 witness.</p> <p>16</p> <p>17 MARTI KOPACZ, called as a witness,</p> <p>18 having been duly sworn on July 31, 2014, by a</p> <p>19 Notary Public, was examined and testified as</p> <p>20 follows:</p> <p>21</p> <p>22</p> <p>23 EXAMINATION BY MR. STEWART:</p> <p>24 Q. Good morning, Ms. Kopacz.</p> <p>25 A. Good morning.</p>

1 - MARTI KOPACZ - VOLUME 1-

2 Q. I'm Geoffrey Stewart of Jones Day.  
3 We've met before, have we not?

4 A. We have.

5 Q. Good. I've got to ask you a couple  
6 of preliminary questions first of which is --  
7 could you, for the record, give us your name and  
8 address?

9 A. Martha, middle initial E, middle  
10 initial M, Kopacz. Address is 10 Post Office  
11 Square, Suite N605, Boston, Massachusetts.

12 MR. STEWART: And let me mark as the  
13 first exhibit a document entitled "Expert  
14 Report of Martha E.M. Kopacz."

15 Madam Reporter, could you mark that  
16 as Exhibit 1?

17 (Whereupon, Kopacz Exhibit 1 was  
18 marked at this time.)

19 BY MR. STEWART:

20 Q. Ms. Kopacz, I'm placing before you  
21 Exhibit 1. Is that the expert report you  
22 submitted in this case?

23 A. Yes, I believe so.

24 Q. Exhibit 1 to -- Exhibit 1 to  
25 Exhibit 1 is your curriculum vitae. It's very

1 - MARTI KOPACZ - VOLUME 1-

2 A. This appears to be the order  
3 appointing me as the expert witness.

4 Q. Okay. Paragraph 2 of the order  
5 specifies what the Court has asked you to do,  
6 correct?

7 A. Yes, it does.

8 Q. And could you tell me what it is you  
9 were instructed by the Court or asked by the Court  
10 to do?

11 A. I was asked to investigate and reach  
12 a conclusion on, A, whether the city plan is  
13 feasible as required by 11 U.S.C. Section 943(b)(7),  
14 and, B, whether the assumptions that underlie the  
15 City's cash flow projections and forecasts  
16 regarding its revenues, expenses, and plans are  
17 reasonable.

18 Q. And does your report -- and did you  
19 do that work?

20 A. I did that work.

21 Q. And does your report contain your  
22 conclusions as a result of having done that work?

23 A. It does.

24 Q. Okay. So let me ask you a little bit  
25 about the background of the report.

1 - MARTI KOPACZ - VOLUME 1-

2 much towards the back. We don't have tabs here.  
3 I'm just going ask you if that is what it purports  
4 to be.

5 Is that a history of your education  
6 and employment?

7 A. I believe it is.

8 Q. Okay. Is it accurate as you sit here  
9 today?

10 A. It is.

11 Q. Okay. Now, you were engaged as an  
12 expert in this case?

13 A. I was -- I am.

14 Q. And -- okay. Was that pursuant to an  
15 order of the Court?

16 A. Yes.

17 MR. STEWART: Let me mark as  
18 Exhibit 2 the Court Order of April 22nd,  
19 2014.

20 (Whereupon, Kopacz Exhibit 2 was  
21 marked at this time.)

22 BY MR. STEWART:

23 Q. Ms. Kopacz, I've placed before you  
24 the document the reporter has marked as Exhibit 2.  
25 Could you tell me what Exhibit 2 is?

1 - MARTI KOPACZ - VOLUME 1-

2 It's a fairly long document, is it  
3 not?

4 A. It is.

5 Q. Went through a number of drafts?

6 A. Yes.

7 Q. Do you plan on issuing a second  
8 report or a further report before the time of your  
9 testimony in this case?

10 A. I don't know.

11 Q. Who else from Phoenix worked -- by  
12 the way did you, within Phoenix, have name or a  
13 moniker for this work, like Project Otto or --

14 A. No.

15 Q. -- anything, no fancy handle like  
16 that?

17 A. No, we did not.

18 Q. Okay. You just called it the Detroit  
19 project or something like that?

20 A. Yes.

21 Q. Okay. Who besides yourself from  
22 Phoenix worked on the project?

23 A. My partner Brian Gleason.

24 Q. Okay. What area did Mr. Gleason work  
25 on, if any, in particular?

<p style="text-align: right;">Page 17</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Brian worked on almost all areas.</p> <p>3 Q. Okay. Who else?</p> <p>4 A. Albert Mink.</p> <p>5 Q. Okay. And tell me what Mr. -- what</p> <p>6 parts of the report or the project Mr. Mink worked</p> <p>7 on?</p> <p>8 A. Primarily issues related to</p> <p>9 accounting and finance operations of the City and</p> <p>10 IT.</p> <p>11 Q. Okay. And who else?</p> <p>12 A. Bob Childree.</p> <p>13 Q. Who is Mr. Childree?</p> <p>14 A. Bob is -- was a subcontractor to</p> <p>15 Phoenix for this project.</p> <p>16 Q. And what -- what work did Mr.</p> <p>17 Childree do on the project?</p> <p>18 A. Bob worked on accounting, finance,</p> <p>19 IT, and pension.</p> <p>20 Q. Okay. Who else?</p> <p>21 A. Mike Gaul.</p> <p>22 Q. And what parts of the project did</p> <p>23 Mr. Gaul handle?</p> <p>24 A. Oh, boy, a lot. Revenue, pension,</p> <p>25 blight, forecasts. Those were his main areas of</p>	<p style="text-align: right;">Page 19</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Phoenix spent working on the project up to today,</p> <p>3 if you can estimate?</p> <p>4 A. I don't know.</p> <p>5 Q. Is there a range of numbers you would</p> <p>6 be comfortable with?</p> <p>7 A. No.</p> <p>8 Q. Okay. Do you know how much in terms</p> <p>9 of dollars the billings have been to date for</p> <p>10 Phoenix's work?</p> <p>11 A. We have submitted bills only through</p> <p>12 May and I don't know.</p> <p>13 Q. Okay.</p> <p>14 A. There is a court record and they're</p> <p>15 on the docket.</p> <p>16 Q. Okay. Now, Exhibit 2 to your report</p> <p>17 is a list of materials considered, I believe, or</p> <p>18 documents and sources. Do you have Exhibit 2 in</p> <p>19 front of you?</p> <p>20 A. Yes.</p> <p>21 Q. Okay. Maybe I should just ask you.</p> <p>22 What does Exhibit 2 purport to show?</p> <p>23 A. Exhibit 2 is a list of documents or</p> <p>24 information sources that either I or my team</p> <p>25 members or both of us reviewed as part of our</p>
<p style="text-align: right;">Page 18</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 focus.</p> <p>3 Q. When you say light, are you referring</p> <p>4 to --</p> <p>5 A. No, blight.</p> <p>6 Q. Oh, blight.</p> <p>7 A. Blight.</p> <p>8 Q. Oh, Blight, okay, that's different.</p> <p>9 Who else?</p> <p>10 A. Kevin Barr.</p> <p>11 Q. Who is Mr. Barr?</p> <p>12 A. Kevin is a member of my team who</p> <p>13 worked extensively on the financial models and the</p> <p>14 projections.</p> <p>15 Q. Okay. Anyone else on the team</p> <p>16 besides those you've identified?</p> <p>17 A. Jack Murdoch was added to the team</p> <p>18 late in the process as we were generating the</p> <p>19 report.</p> <p>20 Q. Okay. What areas did Mr. Murdoch</p> <p>21 work on?</p> <p>22 A. Basically whatever Kevin and Michael</p> <p>23 needed him to do.</p> <p>24 Q. Okay. How many hours do you</p> <p>25 estimate -- excuse me -- that the people from</p>	<p style="text-align: right;">Page 20</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 assignment.</p> <p>3 Q. Okay. Were there any other materials</p> <p>4 you considered above and beyond those set forth in</p> <p>5 Exhibit 2?</p> <p>6 A. Not that I can think of.</p> <p>7 Q. Is it possible for you to estimate as</p> <p>8 you sit here today, if it were all printed, what</p> <p>9 the physical volume would be of the materials</p> <p>10 listed in Exhibit 2?</p> <p>11 A. Tens of thousands, maybe hundreds of</p> <p>12 thousands.</p> <p>13 Q. Of pages?</p> <p>14 A. A lot. A lot.</p> <p>15 MR. STEWART: Let me mark as</p> <p>16 Exhibit 3 this document.</p> <p>17 (Whereupon, Kopacz Exhibit 3 was</p> <p>18 marked at this time.)</p> <p>19 (Whereupon, a brief discussion was</p> <p>20 held off record.)</p> <p>21 BY MR. STEWART:</p> <p>22 Q. Ms. Kopacz, I'm placing before you</p> <p>23 Exhibit 3. I represent to you this is a document</p> <p>24 from Jones Day listing the materials that were</p> <p>25 provided by the City of Detroit to Phoenix. This</p>

5 (Pages 17 to 20)

1 - MARTI KOPACZ - VOLUME 1-  
2 is a spreadsheet that Jones Day has updated as we  
3 went along.

4 Have you seen versions of Exhibit 3  
5 before?

6 A. I have not.

7 Q. You have not. Are you aware that  
8 versions of it were given to members of your team  
9 as the project went along?

10 A. I'm not sure I understand that  
11 question.

12 Q. Do you know whether anyone from your  
13 team has seen this document or versions of it?

14 A. Not that I know of.

15 Q. Okay. Let's go to Exhibit 4 of  
16 your -- of your report. Do you have Exhibit 4  
17 before you?

18 A. I do.

19 Q. And what does Exhibit 4 set forth?

20 A. Exhibit 4 sets forth the open  
21 information requests as of the date of my report.

22 Q. Okay. Your report was, what, the  
23 25th?

24 A. July 18th.

25 Q. July 18th. Have some of these

1 - MARTI KOPACZ - VOLUME 1-  
2 materials since July 18th been provided to you?

3 A. I don't think so. I don't think so.

4 Q. Okay. Do you know for a fact that  
5 all of these materials, in fact, exist?

6 A. I do not know that.

7 Q. Has the absence of these materials  
8 affected your analysis in any way?

9 A. The -- some of the requests here I  
10 would still like to receive.

11 Q. Sure.

12 A. Because it would -- obviously, I  
13 asked for it because I thought it was -- would be  
14 helpful and it would be more information.

15 I reached my opinion on the  
16 information I had so, you know, I don't know how  
17 to answer that. In the sense of yes, I'd still  
18 like to have them, but --

19 Q. Sure.

20 A. -- I didn't have it and I was still  
21 able to reach an opinion.

22 Q. In other words, you were able to work  
23 around the absence of these materials?

24 A. I did.

25 Q. Okay. Exhibit 3 of your report

1 - MARTI KOPACZ - VOLUME 1-  
2 contains a list of all the meetings that you and  
3 others at Phoenix held. Am I correct on that?

4 A. This is the contact log that the  
5 Judge asked me to keep. I, in turn, then asked my  
6 team to keep a contact log as well.

7 Q. Okay.

8 A. So, it's -- there really are kind of  
9 two sections to it. One is all of the contacts  
10 that I was involved in and then the second part of  
11 it is contacts that team members had that I wasn't  
12 involved in.

13 Q. Okay.

14 A. And it could -- it could be phone  
15 calls, it could be e-mails. Most of them are  
16 face-to-face meetings.

17 Q. Sure. You began your work shortly  
18 after your appointment on April 22nd?

19 A. I began my work on April 22nd, yes.

20 Q. And certainly continued it up until  
21 the time you submitted your report?

22 A. I did.

23 Q. And have you continued working since  
24 then?

25 A. Other than to prepare for this

1 - MARTI KOPACZ - VOLUME 1-  
2 deposition, no.

3 Q. Okay. During the period of time  
4 between April 22nd and July 25th, how many  
5 meetings do you believe that you personally had in  
6 connection with this project?

7 A. More than 50.

8 Q. And who in general -- you met with  
9 the mayor, did you not?

10 A. I met with the mayor.

11 Q. And John Hill who is the city CFO?

12 A. I did.

13 Q. And the emergency manager?

14 A. Yes.

15 Q. And counsel for various creditors?

16 A. Yes.

17 Q. Okay. And members of the City  
18 Council?

19 A. Yes.

20 Q. Members of the city government?

21 A. Yes.

22 Q. And those are just some categories.  
23 What other categories of person have  
24 I not mentioned in summarizing the persons with  
25 whom you met?

- MARTI KOPACZ - VOLUME 1-

A. Financial advisors to creditors and the city.

Q. And by name who would those be?

A. Ernst & Young, Conway MacKenzie, Houlihan, Alvarez, FTI.

Q. Others, too?

A. Others.

Q. Beyond that?

A. Yes.

Q. And sorry if I just asked this and misstated.

Can you estimate the number of hours you spent in meetings?

A. I can't.

Q. More than a hundred?

A. Yes.

Q. Now, members of your team also had meetings, did they not?

A. Yes.

Q. Did they try to keep you informed of the meetings they were having?

A. Generally, yes.

Q. Do you know how many meetings individuals on your team had?

- MARTI KOPACZ - VOLUME 1-

A. Some people were completely a hundred percent dedicated to Detroit and everyone that had preexisting client responsibilities really did those in evenings and weekends, so a high percentage of their time was spent on Detroit.

Q. And I assume the work weeks during the period from April 22nd to July 18 were not 40-hour work weeks?

A. Generally, no.

Q. Generally, how many hours a week did you and members of your team work?

A. I don't know.

Q. Long hours?

A. Generally, yes.

Q. Weekends?

A. Yes.

Q. Now, do you plan to testify at trial?

A. I believe the Judge is going to tell us about that next Wednesday at a status hearing.

Q. Okay. Do you intend to do anymore work between now and the time you testify at trial?

A. I do.

Q. What do you intend to do?

- MARTI KOPACZ - VOLUME 1-

A. No.

Q. Over a hundred?

A. I don't know.

Q. Okay. Do you know how many hours they spent?

A. I don't know.

Q. You listed for me the people who worked with you on this project.

During the period from April 22nd to July 25th, did you or any of them have other projects you were working on besides this project for the City of Detroit?

A. Can I -- July 18th is when issued my report. Okay?

Q. I'm sorry. I misstated it, yes.

A. And I -- did anyone have other projects other than the City of Detroit? The answer is yes.

Q. Okay. What percentage of your time did you spend on the Detroit project?

A. 99 percent.

Q. And, if you can, the members of your team, what percentage of their time did they spend?

- MARTI KOPACZ - VOLUME 1-

A. I intend to read the fifth amended plan.

Q. Uh-huh.

A. I want to review the information I received on the collective bargaining agreements.

Q. Uh-huh.

A. And, you know, if -- if there are new projections from the City, obviously, I would review those before trial.

Q. Okay. As you sit here today, and I'm going to get into this in greater depth, just as a general question, do you have any misgivings about the analysis that you've set forth in your report?

A. Misgivings how?

Q. Of any sort -- of any sort.

A. Could you give me a different word please?

Q. Okay. Is from any conclusion in the report that you're not confident about?

A. That I'm not comfortable with?

Q. Confident about.

A. I have a great deal of confidence in my opinions.

Q. Is there any conclusion or analysis



<p style="text-align: right;">Page 29</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 in your report you'd like to change?</p> <p>3 A. No.</p> <p>4 Q. Now, I think I'd shown you the</p> <p>5 order -- Court's order, which would be I think our</p> <p>6 Exhibit 1. No, it's our Exhibit 2 appointing you</p> <p>7 as the expert witness. You'd already read into</p> <p>8 the record, Ms. Kopacz, about feasibility.</p> <p>9 As part of your work, you defined the</p> <p>10 standard of feasibility, did you not?</p> <p>11 A. I did.</p> <p>12 Q. And it's on Page 13 of your report.</p> <p>13 Let me ask you just to look at Page 13.</p> <p>14 A. Uh-huh.</p> <p>15 Q. Is that before you?</p> <p>16 A. It is.</p> <p>17 Q. Okay. And I'm directing your</p> <p>18 attention to the italicized, indented language and</p> <p>19 let me just ask you, just so we have it on the</p> <p>20 record, if you could read it into the record.</p> <p>21 Then I'm going to ask you about it.</p> <p>22 A. Okay. "Is it likely that the City of</p> <p>23 Detroit after the confirmation of a plan of</p> <p>24 adjustment will be able to sustainably provide</p> <p>25 basic municipal services to the citizens of</p>	<p style="text-align: right;">Page 31</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 pay, correct?</p> <p>3 A. Yes.</p> <p>4 Q. And then you go on to say, "without</p> <p>5 the significant probability of default."</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. And what does "significant</p> <p>9 probability" mean as you used it here?</p> <p>10 A. It's my thought around, is the plan</p> <p>11 structured so that there's a likelihood that the</p> <p>12 City would default, so --</p> <p>13 Q. And is -- go ahead.</p> <p>14 A. Yeah.</p> <p>15 Q. So significant probability is the</p> <p>16 flip side of a likelihood, right?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. Can you put a percentage</p> <p>19 number on the term "significant probability"?</p> <p>20 A. I cannot.</p> <p>21 Q. Now, in your work, I think you've</p> <p>22 written in your report that you looked at</p> <p>23 quantitative factors, correct?</p> <p>24 A. Yes.</p> <p>25 Q. And those included the accuracy of --</p>
<p style="text-align: right;">Page 30</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Detroit and to meet the obligations contemplated</p> <p>3 in the plan without the significant probability of</p> <p>4 a default."</p> <p>5 Q. And this was the definition you</p> <p>6 worked with in analyzing the data and reaching the</p> <p>7 conclusions on your project?</p> <p>8 A. This is a definition that I developed</p> <p>9 along with my team against which I then assessed</p> <p>10 the City's plan.</p> <p>11 Q. And it says here "sustainably</p> <p>12 provide."</p> <p>13 What did you mean when you said</p> <p>14 "sustainably provided"?</p> <p>15 A. That the City would be able to</p> <p>16 deliver basic municipal services indefinitely into</p> <p>17 the future.</p> <p>18 Q. When you say "basic municipal</p> <p>19 services," what services are you referring to?</p> <p>20 A. Fire, police services, road</p> <p>21 maintenance, the like.</p> <p>22 Q. And you go on to say, "to meet the</p> <p>23 obligations contemplated in the plan."</p> <p>24 That means what the plan provides for</p> <p>25 in terms of what the city must in future years</p>	<p style="text-align: right;">Page 32</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the mathematical accuracy of projections?</p> <p>3 A. Yes.</p> <p>4 Q. Correct?</p> <p>5 And the reasonableness of the City's</p> <p>6 assumptions, both individually and as a group?</p> <p>7 A. Yes.</p> <p>8 Q. And finally, whether there was an</p> <p>9 adequate contingency as set forth in the City's</p> <p>10 projections, correct?</p> <p>11 A. Yes.</p> <p>12 Q. I meant to ask you, by the way, in a</p> <p>13 footnote you point out that the term "forecasts"</p> <p>14 and the term "projections" are not necessarily</p> <p>15 synonymous although you will treat them as such</p> <p>16 for your report.</p> <p>17 For the record, what is the</p> <p>18 difference?</p> <p>19 A. It's -- the difference exists in</p> <p>20 accounting terminology.</p> <p>21 Q. Uh-huh.</p> <p>22 A. Whereas a -- generally, the thinking</p> <p>23 is that a forecast is kind of the best estimate,</p> <p>24 whereas projections can include any set of</p> <p>25 variables and any sort of assumptions, sensitivity</p>

1 - MARTI KOPACZ - VOLUME 1-  
2 analysis or projections, what-ifs, that sort of  
3 thing, whereas a forecast is something that's a  
4 little more rigorous, a best -- the best guess, if  
5 you will.

6 Q. So would it be fair to say, and I'm  
7 not going to spend a lot of time on this, this  
8 morning, that the base case scenario from EY is a  
9 forecast, but the restructuring analysis is a  
10 projection?

11 A. I don't know that I would say that.

12 Q. Okay. And I'll use the terms  
13 interchangeably myself.

14 A. Thank you.

15 Q. You raise the -- use the phrase  
16 "mathematically accurate."

17 I assume that means whether the  
18 calculations that were done produced the results  
19 that mathematics requires?

20 A. Yes.

21 Q. In other words, no errors in  
22 calculation?

23 A. Correct.

24 Q. Okay. You used the phrase  
25 "reasonableness" when you speak about assumptions.

1 - MARTI KOPACZ - VOLUME 1-  
2 What do you mean when you use the  
3 phrase "reasonableness"?

4 A. That the assumption is neither too  
5 conservative or too aggressive.

6 Q. Okay. Is reasonableness a synonym in  
7 this context for reliable?

8 A. No.

9 Q. Okay. In other words, that a  
10 reasonable assumption is one that is in the middle  
11 of the continuum of possible assumed facts?

12 A. I think I can agree with that, yes.

13 Q. Okay. Did you try to place it a  
14 particular place on the continuum?

15 A. No.

16 Q. You also listed qualitative factors  
17 as well, and I'll come back to those.

18 A. Yes.

19 Q. And they're part of your feasibility  
20 analysis too?

21 A. They are.

22 Q. Sometimes you've used the term  
23 "material" in your report?

24 A. Yes.

25 Q. What does the term "material" mean as

1 - MARTI KOPACZ - VOLUME 1-  
2 you've used it here?

3 A. Material is a term that indicates  
4 whatever the value or the variable is could have  
5 an impact, positive or negative. It is not --  
6 it's not de minimis.

7 Q. Okay. Do you associate any  
8 percentage level with the term "material"?

9 A. I do not.

10 Q. Have you heard, for example in the  
11 accounting world, they sometimes speak of  
12 materiality as being 1 percent of assets or  
13 5 percent of income?

14 A. I think it depends on the context.

15 Q. But it's not how you've used it, one  
16 way or another?

17 A. Not how I've used it, no.

18 Q. Now, I'm going to ask you about  
19 forecasting now.

20 A. Sure.

21 Q. Let me go back to Exhibit 1 of your  
22 report. This is your -- for want of -- I'll call  
23 it your CV although --

24 A. It's not really.

25 Q. -- it's not really a CV. What would

1 - MARTI KOPACZ - VOLUME 1-  
2 you call it? Just a back -- description of your  
3 background?

4 A. Yes.

5 Q. Okay. Why don't we just call it  
6 Exhibit 1?

7 A. Exhibit 1 is good.

8 Q. Under "General Experience," you've  
9 written about your -- about your experience with  
10 financial projections and I'm going to read parts  
11 of this, and I'm going to ask you questions about  
12 it.

13 First sentence you've written -- by  
14 the way, did you write this part of your report or  
15 was it written for you by others?

16 A. No. This is the -- this is the same  
17 document that was attached to my proposal. It's  
18 just in a different format, but the --

19 Q. Sure.

20 A. -- the -- the information is  
21 generally the same and I think there's some  
22 added -- there may be some added verbiage around  
23 speaking engagements, publications and the like.

24 Q. Sure. Is it accurate however?

25 A. Yes, it is.

<p style="text-align: right;">Page 37</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So the first sentence says,</p> <p>3 "Ms. Kopacz has prepared dozens of financial</p> <p>4 projections for clients and reviewed and critiqued</p> <p>5 dozens more prepared by others."</p> <p>6 This has been in connection with your</p> <p>7 work at Phoenix and elsewhere?</p> <p>8 A. Yes.</p> <p>9 Q. And by "projections," you mean</p> <p>10 forecasts as well as projections as we just</p> <p>11 discussed?</p> <p>12 A. Yes.</p> <p>13 Q. And just as a general matter, when</p> <p>14 you, yourself, have prepared projections, what</p> <p>15 kind of assignment did you have that asked you to</p> <p>16 prepare projections?</p> <p>17 A. Generally, it would be in the context</p> <p>18 of representing a client that was financially or</p> <p>19 operationally troubled, potentially involved in a</p> <p>20 formal or informal restructuring or Bankruptcy</p> <p>21 Court proceeding.</p> <p>22 Q. Okay. And then you write you</p> <p>23 "critiqued dozens more prepared by others."</p> <p>24 Would that be in a comparable --</p> <p>25 comparable setting?</p>	<p style="text-align: right;">Page 39</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 reasonableness of the projections that were made</p> <p>3 then.</p> <p>4 Q. And this leads me to ask you a</p> <p>5 question.</p> <p>6 I take it that a good deal of your</p> <p>7 work in your career has involved entities that are</p> <p>8 one way or the other involved in bankruptcy or</p> <p>9 insolvency matters?</p> <p>10 A. Yes.</p> <p>11 Q. Have you, as a practice, represented</p> <p>12 one side more than the other side; in other words,</p> <p>13 creditors more than debtors or debtors more than</p> <p>14 creditors in this work?</p> <p>15 A. I don't think -- I think it's very</p> <p>16 balanced for the most part.</p> <p>17 Q. And you've also been involved in</p> <p>18 municipal insolvencies?</p> <p>19 A. I have been involved in municipal --</p> <p>20 troubled municipal situations.</p> <p>21 Q. Okay. And what are some examples of</p> <p>22 those?</p> <p>23 A. The one that I was involved in most</p> <p>24 significantly and for the longest period of time</p> <p>25 was Nassau County here in New York.</p>
<p style="text-align: right;">Page 38</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. Okay. And then you write -- or this</p> <p>4 exhibit says, "She has previously testified as to</p> <p>5 the appropriateness of forecasting methodology,</p> <p>6 the assumptions upon which forecasts are based and</p> <p>7 the likelihood of an organization to meet its</p> <p>8 forecast."</p> <p>9 Okay. And what engagements asked you</p> <p>10 to do that work?</p> <p>11 A. That -- the first time I ever</p> <p>12 testified on forecasting and assumptions was in a</p> <p>13 matter called HealthCo -- HealthCo. It was a case</p> <p>14 that -- and I believe it's in, we go back to my</p> <p>15 proposal to the Court, it's listed and it will</p> <p>16 tell you, but it was a bankruptcy case that</p> <p>17 involved a failed leverage buyout transaction that</p> <p>18 the trustee believed was a fraudulent conveyance.</p> <p>19 Q. Okay.</p> <p>20 A. And my engagement, I represented the</p> <p>21 Lazard Freres who had been the investment banker</p> <p>22 and Coopers &amp; Lybrand, at the time the</p> <p>23 accountants, who were being sued and my job was to</p> <p>24 put myself back in the position at the time that</p> <p>25 that transaction was done and evaluate the</p>	<p style="text-align: right;">Page 40</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Okay. But you've had others too?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. Back to Exhibit 1, further</p> <p>5 down it's written, "Ms. Kopacz understands the</p> <p>6 nuanced area" -- "area of municipal budgeting."</p> <p>7 Do you see that -- budgeting.</p> <p>8 A. Yes.</p> <p>9 Q. Okay? What -- what do you mean when</p> <p>10 you say "nuanced area"?</p> <p>11 A. Municipal budgeting and government</p> <p>12 accounting are significantly different than what</p> <p>13 most of us become familiar with in the private</p> <p>14 sector. It involves fund accounting. It involves</p> <p>15 appropriations and encumbrances and concepts that</p> <p>16 we don't have in the private sector.</p> <p>17 Q. When you say "incumbrances," what do</p> <p>18 you mean?</p> <p>19 A. Encumbrances is a manner by which</p> <p>20 government on paper sets aside funding for</p> <p>21 particular projects or services or goods.</p> <p>22 Q. Okay. And the next sentence says,</p> <p>23 "Because municipal entities lack a 'standard' in</p> <p>24 budgeting, forecasting and accounting, great</p> <p>25 variations occur in the manner in which public</p>

10 (Pages 37 to 40)

<p style="text-align: right;">Page 41</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 entities report financial results and develop</p> <p>3 forecasts."</p> <p>4 When you say they "lack a standard,"</p> <p>5 what do you mean by that?</p> <p>6 A. They -- private entities are for the</p> <p>7 most part required to adhere to generally accepted</p> <p>8 accounting principles. There are the government</p> <p>9 version of accounting principles allow for a great</p> <p>10 deal of variety and individual variation in terms</p> <p>11 of how municipal entities report revenues,</p> <p>12 expenses, capital expenditures, and the like.</p> <p>13 Q. Do municipalities typically approach</p> <p>14 these issues in the same manner?</p> <p>15 A. No.</p> <p>16 Q. So how does one go about</p> <p>17 understanding how any particular municipality has</p> <p>18 handled its accounting?</p> <p>19 A. You have to do a detailed analysis of</p> <p>20 whatever the revenue, the expense and the</p> <p>21 accounting for that is.</p> <p>22 Q. You did that here in the case of the</p> <p>23 City of Detroit?</p> <p>24 A. In -- in some cases, yes.</p> <p>25 Q. Okay. You certainly got to the point</p>	<p style="text-align: right;">Page 43</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 we call the RRIs and looked at the operational</p> <p>3 aspects of the City.</p> <p>4 Q. So, when you're looking at financial</p> <p>5 forecasts, for the most part, you were looking at</p> <p>6 the work of Ernst &amp; Young?</p> <p>7 A. No. I looked at all of them</p> <p>8 together.</p> <p>9 Q. Okay.</p> <p>10 A. Right.</p> <p>11 Q. The baseline forecast was just Ernst</p> <p>12 &amp; Young?</p> <p>13 A. Yes, my -- that's my recollection,</p> <p>14 yes. It was just Ernst &amp; Young at the time.</p> <p>15 Q. Okay. And then when the RRIs and</p> <p>16 other things were involved, that's when Conway</p> <p>17 MacKenzie input became part of the forecast?</p> <p>18 A. Part of the 40-year forecast, yes.</p> <p>19 Q. Now, let me just break this down so</p> <p>20 that as we go down the road we can go more</p> <p>21 quickly. And I apologize for the elementary</p> <p>22 approach here.</p> <p>23 Could you just describe for me as a</p> <p>24 series of steps how one goes about preparing a</p> <p>25 forecast in your experience?</p>
<p style="text-align: right;">Page 42</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 where you felt you understood how Detroit did its</p> <p>3 forecasting and budgeting, correct?</p> <p>4 A. Is that -- are you talking before the</p> <p>5 bankruptcy or during the bankruptcy?</p> <p>6 Q. No, during -- during your -- your</p> <p>7 work.</p> <p>8 A. Right. In terms of those forecasts</p> <p>9 and budgets --</p> <p>10 Q. Yes.</p> <p>11 A. -- as they relate to the plan?</p> <p>12 Q. Yes.</p> <p>13 A. Yes, I do.</p> <p>14 Q. Okay. Now, you mentioned that you</p> <p>15 met with financial advisors, including Ernst &amp;</p> <p>16 Young and Conway MacKenzie?</p> <p>17 A. Yes.</p> <p>18 Q. As between the two, how have they</p> <p>19 divided up the work of being advisors to the City?</p> <p>20 A. It's my understanding that Ernst &amp;</p> <p>21 Young was responsible for the ten-year baseline</p> <p>22 plan, the 40-year plan and, at a functional level,</p> <p>23 is responsible for the cash management for the</p> <p>24 City. And that Conway MacKenzie developed the</p> <p>25 restructuring and reinvestment initiatives, what</p>	<p style="text-align: right;">Page 44</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. To prepare -- in preparing a</p> <p>3 forecast?</p> <p>4 Q. Correct.</p> <p>5 A. Okay. Generally, the -- the first</p> <p>6 thing you do is estimate revenues.</p> <p>7 Q. Uh-huh.</p> <p>8 A. Then you estimate expenses.</p> <p>9 Q. Uh-huh.</p> <p>10 A. And in order to get those estimates,</p> <p>11 you have to make assumptions and you have to have</p> <p>12 a base -- a baseline. You have to decide when</p> <p>13 you're going to start it and when you're going to</p> <p>14 end it.</p> <p>15 Q. And then when you project -- and you</p> <p>16 start with known numbers, correct?</p> <p>17 A. You generally will look at actual</p> <p>18 results for prior periods.</p> <p>19 Q. And is there some mathematical means</p> <p>20 then of taking the actual results and, from the</p> <p>21 actuals, extrapolating the numbers in the years to</p> <p>22 come?</p> <p>23 A. Sometimes that makes sense.</p> <p>24 Sometimes that doesn't make sense.</p> <p>25 Q. And is it -- is it possible to --</p>

11 (Pages 41 to 44)

1 - MARTI KOPACZ - VOLUME 1-  
2 would it be possible for you to tell me when it  
3 does make senses and when it does not make senses?

4 A. I can give you an example.

5 Q. Sure.

6 A. If you had an ongoing operation, and  
7 you were selling widgets to someone, right, and  
8 that customer bought, you know, a hundred dollars  
9 worth of widgets every year for the past ten  
10 years, unless something suggested a contrary  
11 behavior, you would probably project that they're  
12 going to buy a hundred dollars worth of widgets.  
13 Okay?

14 On the expense side, if you're  
15 manufacturing those widgets in a production plant  
16 and it costs you 80 cents to make a widget, right,  
17 but then you're building a new plant and all of a  
18 sudden your costs are going to go down to 65, you  
19 wouldn't be using the continuation of the  
20 historical cost to make a going-forward  
21 projection.

22 Q. Now, is it sometimes the case as you  
23 extrapolate forward, instead of having a constant  
24 value, you're dealing with a value that is  
25 expected to increase in some manner or decrease in

1 - MARTI KOPACZ - VOLUME 1-  
2 some manner year to year to year; in other words,  
3 either in the linear or nonlinear function?

4 A. Yes, it is.

5 Q. Okay. And what do you do when you're  
6 faced with that type of a forecast?

7 A. You have to look at the basis for why  
8 the change is going to occur and evaluate it with  
9 the information you have as to, you know, does  
10 that new assumption make sense.

11 Q. Now, when you dealt with looking at  
12 the forecasts for the City of Detroit, did you  
13 find that those extrapolations required  
14 forecasting that was not a constant value for  
15 either revenue or expense year to year in the  
16 years that were coming?

17 A. In some cases, yes.

18 Q. So how did you determine what the  
19 appropriate coefficient was year to year to  
20 increase or decrease the projected amount?

21 A. The -- the example that I can give  
22 you is the baseline is -- for example, the  
23 baseline projections include ongoing pension  
24 expense.

25 Q. Okay.

1 - MARTI KOPACZ - VOLUME 1-

2 A. Ongoing interest expense. Obviously,  
3 as the City worked through its bankruptcy and its  
4 plan, it became clear that those weren't going to  
5 get paid, so those numbers changed in line with  
6 what the settlements were. So I didn't really  
7 have to make -- it was a number that was in the  
8 ten-year that didn't need to be there, so it just  
9 came out.

10 Q. So that came out.

11 Let me take the example though of a  
12 revenue item. I don't -- we'll just make it  
13 income tax.

14 As you looked at the forecasts of  
15 income tax revenue in the years to come, it was  
16 not a constant number, correct?

17 A. Correct.

18 Q. And it went up or down as the years  
19 went on, correct?

20 A. Yes.

21 Q. And it went up or down for various  
22 reasons, such as incomes and other factors such as  
23 that, correct?

24 A. Yes.

25 Q. How did you determine whether a

1 - MARTI KOPACZ - VOLUME 1-

2 forecast of income in future years -- income tax  
3 revenues in future years was or was not a  
4 reasonable forecast?

5 A. I looked at historical information.  
6 I looked at the outside -- the statewide  
7 information from various parties, and I and my  
8 team interviewed the team at Ernst & Young who did  
9 the analysis and the development of these  
10 projections.

11 Q. Fair to say you didn't simply accept  
12 the credibility of the Ernst & Young assumptions?

13 A. I did not.

14 Q. Or the Ernst & Young calculations?

15 A. I did not.

16 Q. You did your own checking of them?

17 A. I did.

18 Q. And then used your own knowledge base  
19 to reach a conclusion about the quality of Ernst &  
20 Young's work?

21 A. I -- I didn't reach a conclusion  
22 about the quality of Ernst & Young's work. I  
23 reached a conclusion on the reasonableness of  
24 those assumptions.

25 Q. Okay. And -- and by the way, the

<p style="text-align: right;">Page 49</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 process you just described for me, we used the</p> <p>3 example of income tax.</p> <p>4 A. Yes.</p> <p>5 Q. Would it -- would you give the same</p> <p>6 answer if I asked about other types of taxes of</p> <p>7 revenue items in terms of your general approach?</p> <p>8 A. Yes.</p> <p>9 Q. And in terms of various items of</p> <p>10 expense in terms of your general approach?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. Now, let me, if I could, just</p> <p>13 ask you about some of the opinions that you</p> <p>14 reached.</p> <p>15 A. Uh-huh.</p> <p>16 Q. And on Page 200 of your report you</p> <p>17 speak of some of the qualitative issues.</p> <p>18 A. Yes. I have quantitative issues on</p> <p>19 200.</p> <p>20 Q. I'm sorry. Quantitative, sorry.</p> <p>21 Advancing age and failing eyesight has -- has</p> <p>22 undermined me. Yeah, on quantitative issues.</p> <p>23 A. Yes.</p> <p>24 Q. The first paragraph you write, "It is</p> <p>25 my opinion that except for otherwise noted in my</p>	<p style="text-align: right;">Page 51</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 phrase "mathematically correct."</p> <p>3 A. Uh-huh.</p> <p>4 Q. What do you mean when you say</p> <p>5 "materially reasonable"?</p> <p>6 A. I believe the projections taken as a</p> <p>7 whole are reasonable.</p> <p>8 Q. And then the next paragraph says, "It</p> <p>9 is my opinion that, except where otherwise noted</p> <p>10 in my report, the individual assumptions used to</p> <p>11 build the projections fall into a reasonable range</p> <p>12 and that, when taken as a group, these assumptions</p> <p>13 are also reasonable."</p> <p>14 Can you tell me why you were able to</p> <p>15 reach that conclusion?</p> <p>16 A. Because we reviewed and looked at</p> <p>17 every line item, every cell of every model.</p> <p>18 Q. And how big was this model?</p> <p>19 A. The -- the E&amp;Y model is, my</p> <p>20 recollection, I think about a -- over a hundred</p> <p>21 sheets -- over a hundred Excel spreadsheets.</p> <p>22 Q. Okay.</p> <p>23 A. The Conway model is actually about</p> <p>24 30 models together and each of those models is</p> <p>25 multiple Excel spreadsheets. Clearly, Kevin Barr</p>
<p style="text-align: right;">Page 50</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 report the projections are generally</p> <p>3 mathematically correct and materially reasonably</p> <p>4 and, therefore, fall within the feasibility</p> <p>5 standard I have defined."</p> <p>6 Do you see the language I read?</p> <p>7 A. Yes.</p> <p>8 Q. I notice there's a typo. Did you</p> <p>9 mean to write "materially reasonable" instead of</p> <p>10 "materially reasonably"?</p> <p>11 A. Yes. Thank you.</p> <p>12 Q. It's all right. It's basically what</p> <p>13 lawyers are trained to do is look for typos. I</p> <p>14 went to law school imagining myself in front of</p> <p>15 the U.S. Supreme Court; instead I've become a</p> <p>16 glorified proofreader.</p> <p>17 All right. Now, when you say the</p> <p>18 generally mathematically -- the projections you're</p> <p>19 speaking about are the City's 10 and 40-year</p> <p>20 projections?</p> <p>21 A. That's correct.</p> <p>22 Q. And we already -- go ahead. I'm</p> <p>23 sorry.</p> <p>24 A. And the -- and the RRI projections.</p> <p>25 Q. And I've already asked you about the</p>	<p style="text-align: right;">Page 52</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 on my team probably knows exactly how many pages</p> <p>3 there are, but it's hundreds.</p> <p>4 Q. And you looked at every one of those</p> <p>5 worksheets --</p> <p>6 A. He did -- he did. I didn't.</p> <p>7 Q. And every -- every cell of every</p> <p>8 worksheet?</p> <p>9 A. He did.</p> <p>10 Q. On Page 37 of your report, you refer</p> <p>11 to -- you state at the bottom, there's a carryover</p> <p>12 sentence having to do with the fact that the City</p> <p>13 does not have an aggregated forecast to use.</p> <p>14 Can you tell me what you meant by an</p> <p>15 "aggregated forecast"?</p> <p>16 A. Can you show me the sentence?</p> <p>17 Q. It's the carryover. It says, "while</p> <p>18 the respective -- "</p> <p>19 A. Ten-year 40-year.</p> <p>20 Q. Yes. And then it carries over and</p> <p>21 the language I was referring to is the top of the</p> <p>22 next page.</p> <p>23 It says, "The City does not have an</p> <p>24 aggregated forecast to use as a fiscal road map</p> <p>25 going forward."</p>

13 (Pages 49 to 52)

<p style="text-align: right;">Page 53</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 What do you mean by "an aggregated"?</p> <p>3 A. The City does not have a forecast at</p> <p>4 the department level which includes all of the</p> <p>5 baseline projections and the RRI's incorporated</p> <p>6 into a single set of projections like you would</p> <p>7 typically see for an entity.</p> <p>8 Q. Okay. And so the City needs to</p> <p>9 create such a document in order to go forward?</p> <p>10 A. I think it would be highly advisable.</p> <p>11 Q. The beginning of the sentence says,</p> <p>12 pardon me, "While the respective 10-year, 40-year</p> <p>13 and RRI forecasts have been expertly researched,</p> <p>14 constructed and amended."</p> <p>15 What do you mean when you say</p> <p>16 "expertly researched, constructed"?</p> <p>17 A. The, the 10-year, the 40-year and the</p> <p>18 RRI's, okay, are appropriately correct to the</p> <p>19 extent of the purpose for which they were</p> <p>20 intended. Okay? They are fit for that purpose.</p> <p>21 Q. Uh-huh. Okay. Now, excuse me -- you</p> <p>22 mentioned that the City forecast cover a period of</p> <p>23 ten years and there's also a 40-year forecast too.</p> <p>24 A. Yes.</p> <p>25 Q. Is that the customary period for</p>	<p style="text-align: right;">Page 55</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 your attention to the last two sentences on that</p> <p>3 page. You wrote, "As the time horizon expands, so</p> <p>4 too does the magnitude required for an issue to</p> <p>5 impact feasibility. For example, a potential</p> <p>6 \$50 million shortfall in Year 1 will have a much</p> <p>7 more significant impact on the assessment of</p> <p>8 feasibility than the same shortfall in Year 20."</p> <p>9 Now, can you tell me what you meant</p> <p>10 when you wrote that?</p> <p>11 A. I mean, I don't know how to say it</p> <p>12 any better. I'm sorry. I really don't. I think</p> <p>13 that's really clear.</p> <p>14 Q. Okay.</p> <p>15 A. Okay? I -- obviously -- the time</p> <p>16 horizon to my -- to the way we've defined the</p> <p>17 standard and the way I evaluated it is if there's</p> <p>18 going to be an impact near-term, that is clearly</p> <p>19 more significant than if it's going to occur 10 or</p> <p>20 20 years down the road because 10 or 20 years down</p> <p>21 the road, people have an opportunity to respond</p> <p>22 and change their behavior and do different things</p> <p>23 to overcome whatever that risk might be. If it's</p> <p>24 a risk in the early part of a forecast, you don't</p> <p>25 have that time to respond.</p>
<p style="text-align: right;">Page 54</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 forecast, at least in the municipal world?</p> <p>3 A. I'm not sure there is a customary</p> <p>4 period.</p> <p>5 Q. Have you seen forecasts before of</p> <p>6 such length?</p> <p>7 A. Have I in a general context, yes. In</p> <p>8 typically municipalities don't budget for that</p> <p>9 long a time.</p> <p>10 Q. Do you know why it is that forecasts</p> <p>11 were prepared for periods so long as those we see</p> <p>12 here?</p> <p>13 A. I don't know why those projections --</p> <p>14 those periods were chosen, no.</p> <p>15 Q. What's the relationship, if there is</p> <p>16 one at all, between the length of a forecast and</p> <p>17 its reliability?</p> <p>18 A. Generally, the longer a forecast --</p> <p>19 the longer period of time a forecast covers, the</p> <p>20 more variability you would expect as time goes on.</p> <p>21 Q. Would there also -- let me ask you to</p> <p>22 look actually at Page 17 of your report. At the</p> <p>23 very bottom of that page --</p> <p>24 A. Uh-huh.</p> <p>25 Q. -- you've written -- I'm directing</p>	<p style="text-align: right;">Page 56</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So you testified that one feature of</p> <p>3 a long forecast is the greater chance for</p> <p>4 variability as the years go on, correct?</p> <p>5 A. I would agree with that statement,</p> <p>6 yes.</p> <p>7 Q. Are you also saying that in the</p> <p>8 future years that, although there may be such</p> <p>9 variation, it becomes less material as we sit here</p> <p>10 today because the variations happen so far into</p> <p>11 the future?</p> <p>12 A. The material word, I don't agree with</p> <p>13 that in the sense that if it is a large risk</p> <p>14 component in the out years, that could affect my</p> <p>15 assessment of feasibility even though it was far</p> <p>16 out into the future. The other part, and I don't</p> <p>17 mean to quibble, but the near-term forecasts are</p> <p>18 going to be wrong too. It's just will there be</p> <p>19 enough variation in the forecast both plus and</p> <p>20 minus that on average things will be okay.</p> <p>21 Q. Okay. And there are such things</p> <p>22 as -- as offsetting entries or offsetting</p> <p>23 variations, correct?</p> <p>24 A. Correct. Yes.</p> <p>25 Q. Is there any mathematical or</p>

14 (Pages 53 to 56)

1 - MARTI KOPACZ - VOLUME 1-  
2 forecasting rule about that?

3 A. Not to my knowledge.

4 Q. Let me ask about the RRI's if I could.

5 A. Okay.

6 Q. You've mentioned. That's short for  
7 restructuring and reinvestment initiatives?

8 A. Yes.

9 Q. Okay. And fair to say that you  
10 generally are complimentary of the RRI's that the  
11 City has planned?

12 A. Complimentary?

13 Q. Let me look -- let's look at 207 of  
14 your report.

15 A. Okay.

16 Q. At the very top, you've written, "The  
17 RRI's are one of the positive outcomes of the  
18 bankruptcy process. The RRI's provide the backbone  
19 of the improved services to the City of Detroit."

20 That's -- that's what I was asking  
21 you about.

22 A. Yes. Yes.

23 Q. So you -- you believe that on balance  
24 the RRI's are a good not a bad thing?

25 A. Yes.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Okay. Why did you reach that  
3 conclusion?

4 A. The RRI's, many of them, are planned  
5 to return Detroit to a safer, better functioning  
6 place in which people can live and work and -- and  
7 go about their business. So --

8 Q. Well -- go ahead.

9 A. -- you know, a lot of the RRI's  
10 involved restoring public safety and  
11 transportation to more acceptable levels than they  
12 have been in the recent past.

13 Q. Do some of the RRI's also -- let me  
14 withdraw that.

15 Do some of the RRI's also have the  
16 objective of improving quality of city management?

17 A. Yes.

18 Q. And, for example, tax collection by  
19 the City?

20 A. Yes.

21 Q. And do you also believe those are  
22 positive?

23 A. I do.

24 Q. And why?

25 A. Because the City historically has

1 - MARTI KOPACZ - VOLUME 1-

2 done a poor job of collecting the monies that are  
3 due it.

4 Q. And what would the RRI's do, if  
5 anything, to address that issue?

6 A. In a -- in a couple of areas, the  
7 RRI's are targeted towards better information  
8 systems, better technology, more people to focus  
9 on collection activities, the ATMs that are being  
10 added to the District Court to collect the fees  
11 and fines right then and there before people leave  
12 the building. You know, those sorts of things  
13 are -- are advantageous to helping the City  
14 collect the monies that are already due it.

15 Q. Fair to say some of these RRI's will  
16 end up cutting city costs?

17 A. In the long-term, yes.

18 Q. And some of the RRI's will result in  
19 increasing city revenues?

20 A. Yes.

21 Q. Did you perform any kind of  
22 cost-benefit analysis to see if the expense of  
23 those particular RRI's was offset by any benefits  
24 that they yielded to the City?

25 A. I don't think so.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. But has anyone attempted to quantify  
3 the revenue enhancement and cost reduction  
4 benefits to the City of the RRI's?

5 A. Not that I know of.

6 Q. Who came up with the RRI's?

7 A. The -- the Conway MacKenzie has been  
8 at the forefront in developing the RRI's as they're  
9 presented as part of the bankruptcy, working with  
10 people in the city government.

11 Q. Were there any RRI's that you looked  
12 at that you -- in your opinion were not necessary?

13 A. I'd have to go back and look at all  
14 of them to say -- to answer that question.

15 Q. Okay. Any RRI's that you would have  
16 liked to have seen that were not among the list of  
17 restructuring and reinvestment initiatives?

18 A. I didn't evaluate that either. I  
19 just looked at what was there.

20 Q. Who came up with the dollar amounts  
21 associated with the RRI's?

22 A. I believe for the most part that has  
23 been the work of Conway MacKenzie in collaboration  
24 with the city employees by department.

25 Q. Okay. And who came up with the plan



- MARTI KOPACZ - VOLUME 1-

by which the RRI's were to be implemented?

A. I'm not sure anyone has yet.

Q. Okay. Or the timetable for implementation -- for implementation?

A. I'm not sure -- I'm not sure that that has been completely defined at this point.

Q. In the course of your work, did you look at the dollar amount of the RRI's to see if those were reasonable assumptions for the each RRI?

A. Yes.

Q. And what did you determine?

A. We concluded that they were reasonable estimates for what these initiatives would cost.

Q. Now, one of the things you looked at I think you said was blight?

A. Yes.

Q. And specifically, I guess the removal of blight?

A. Yes.

Q. How significant in your opinion is the City's program for the removal of blight?

A. Blight removal is very important to

- MARTI KOPACZ - VOLUME 1-

investment and do little to reverse the spread of blight through Detroit."

A. My concern around blight spending all along has been the availability of a steady stream of funding to keep the blight removal machine going.

Q. Uh-huh.

A. And the -- the concern I have that the City has made an effort to bring contractors into the blight removal program and it will be important to be able to pay them timely to keep them engaged in that process.

Q. Let me move to something else.

Your report has observations about shortcomings in the City's finance, treasury and budgeting functions, correct?

A. Yes.

Q. Fair to say that historically they've been very poor?

A. Awful.

Q. Really awful? I'm kidding.

You're aware the City has a new CFO?

A. Yes.

Q. John Hill?

- MARTI KOPACZ - VOLUME 1-

me.

Q. And why is it important?

A. Because I believe that eliminating blight will stabilize the City and allow a -- the revitalization for Detroit to really grab hold.

Q. Do you believe the amount of money budgeted for blight removal is sufficient?

A. I don't know.

Q. What, in your opinion, if you have one, will happen to the City if it is not successful in removing blight?

A. I don't know.

Q. You mentioned that a stop -- start-and-stop approach will not work and that's, if you'd like, direct you to your report is on Page 173.

A. Yes.

Q. My question was simply going to be why did you conclude that. But if you'd like to look at your report, that's so much better.

A. Thank you.

Q. And I was -- it's towards the bottom. You've written, "Conversely a start-and-stop approach will likely result in ineffective

- MARTI KOPACZ - VOLUME 1-

A. Yes.

Q. And you've met with Mr. Hill?

A. I have.

Q. Have you determined from Mr. Hill what he plans to do or is doing to reform matters within that part of the city's government?

A. I'm generally aware of Mr. Hill's plans, yes.

Q. And you understand that Mr. Hill has a program to deal with these historical issues?

A. Yes.

Q. Do you have any -- what is your opinion, let me ask you this, of the approach Mr. Hill is taking?

A. I -- I concur with Mr. Hill's approach in terms of what he has prioritized in terms of needing to get fixed and how he's going to go about that.

Q. Do you believe Mr. Hill will be able to fix these problems?

A. I have confidence that Mr. Hill has a good plan to fix the problems. I have confidence that he and the mayor will be able to hire people to do that.

<p style="text-align: right;">Page 65</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Are you finished with your answer?</p> <p>3 A. Yes. And as recently as the last</p> <p>4 week or so, he's -- they've added some more</p> <p>5 talents to that group and I think that's</p> <p>6 encouraging.</p> <p>7 Q. To the extent your report contains</p> <p>8 criticism of the finance function, is any of that</p> <p>9 intended to be a criticism of Mr. Hill or his</p> <p>10 staff?</p> <p>11 A. Mr. Hill, no. There's -- there's --</p> <p>12 I still would have significant criticism of some</p> <p>13 of the -- the processes and procedures that the</p> <p>14 City uses.</p> <p>15 Q. Okay.</p> <p>16 A. In that area.</p> <p>17 Q. You understand that Mr. Hill's</p> <p>18 attempt to go address those as well?</p> <p>19 A. I do.</p> <p>20 Q. Your report mentions shortcomings in</p> <p>21 the City's information technology area.</p> <p>22 A. Yes.</p> <p>23 Q. You would agree that -- that isn't</p> <p>24 what it could be?</p> <p>25 A. That's awful too.</p>	<p style="text-align: right;">Page 67</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 to have the -- all of that spending under the IT</p> <p>3 department. Some of that is disbursed into</p> <p>4 individual departments.</p> <p>5 Q. Uh-huh.</p> <p>6 A. So, I don't know. Again, I would</p> <p>7 like to see it controlled and I've written about</p> <p>8 that in my report. I'd like to see it centrally</p> <p>9 controlled as opposed to disbursed.</p> <p>10 But yes, it should be a sufficient</p> <p>11 amount of money to upgrade and fix. It's not</p> <p>12 really fixed the systems that are in place. It's</p> <p>13 installed new systems.</p> <p>14 Q. Well, the existing systems are</p> <p>15 antiquated are they not?</p> <p>16 A. They are.</p> <p>17 Q. They don't inter -- inter-operate</p> <p>18 with one another?</p> <p>19 A. They do not.</p> <p>20 Q. There's no modern ERP system,</p> <p>21 correct?</p> <p>22 A. Correct.</p> <p>23 Q. The budgeting software is antiquated</p> <p>24 if it exists at all, correct?</p> <p>25 A. It's -- yes.</p>
<p style="text-align: right;">Page 66</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. They've hired a woman named Beth</p> <p>3 Niblock to address that?</p> <p>4 A. Yes.</p> <p>5 Q. She comes to the Detroit from the</p> <p>6 city of Louisville, Kentucky.</p> <p>7 Did you met with Ms. Niblock?</p> <p>8 A. I did.</p> <p>9 Q. Did you form an opinion as of</p> <p>10 Ms. Niblock's abilities?</p> <p>11 A. Yes.</p> <p>12 Q. What is your opinion?</p> <p>13 A. My opinion is Ms. Niblock knows what</p> <p>14 she's doing and is developing a good plan for</p> <p>15 fixing the City's IT systems.</p> <p>16 Q. Now, the RRI's contain line items or</p> <p>17 for IT initiatives, do they not? And those total</p> <p>18 between 150 or \$200 million, or somewhere in that</p> <p>19 range?</p> <p>20 A. It's a little north of 150 million</p> <p>21 citywide.</p> <p>22 Q. Okay. And in your opinion, is that a</p> <p>23 sufficient amount of money to spend to implement</p> <p>24 IT improvements?</p> <p>25 A. It's a lot of money. I would prefer</p>	<p style="text-align: right;">Page 68</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Manual entry is required for a number</p> <p>3 of financial inputs?</p> <p>4 A. The general ledger is largely done on</p> <p>5 a manual basis, yes.</p> <p>6 Q. All right.</p> <p>7 MR. STEWART: We've been on the</p> <p>8 record for an hour. We can take a break or</p> <p>9 keep going, whatever you'd like to do. It's</p> <p>10 up to you.</p> <p>11 THE WITNESS: I'm ready for a break.</p> <p>12 MR. STEWART: We'll go for a break.</p> <p>13 THE VIDEOGRAPHER: Thank you. The</p> <p>14 time now is 10:18 a.m. We're going off the</p> <p>15 record. This is the end of Disk Number 1.</p> <p>16 (Whereupon, there was a brief recess</p> <p>17 in the proceedings.)</p> <p>18 THE VIDEOGRAPHER: Time now is</p> <p>19 approximately 10:32 a.m. We're back on the</p> <p>20 record. This is the beginning of Disk</p> <p>21 Number 2.</p> <p>22 BY MR. STEWART:</p> <p>23 Q. Ms. Kopacz, before the break, I'd</p> <p>24 asked you a question about the language at</p> <p>25 Pages 37, 38 of your report in Exhibit 1. In</p>

17 (Pages 65 to 68)

1 - MARTI KOPACZ - VOLUME 1-  
2 particular that sentence that begins at the very  
3 bottom of 37 and goes on to the top of 38.

4 And do you have that sentence in  
5 front of you?

6 A. I do.

7 Q. I ask you what was the -- I think  
8 you -- I'd asked you about the -- the forecasts  
9 and I believe you said they were appropriate for  
10 the purpose for which they were intended. I think  
11 that was your answer.

12 A. Yes.

13 Q. What was the purpose for which they  
14 were intended?

15 A. To support the plan of adjustment.

16 Q. And the confirmation of the plan of  
17 adjustment?

18 A. And the confirmation of the plan of  
19 adjustment, yes.

20 Q. Okay. Let's go if we could to  
21 Page 14 of your report. I'm going to ask you now  
22 about the area of contingencies. And under the  
23 quantitative points, you mention in the third  
24 bullet point at the top, you raise the question,  
25 "Is there an adequate contingency included in the

1 - MARTI KOPACZ - VOLUME 1-  
2 projections?"

3 Do you see where I've directed your  
4 attention to?

5 A. Yes.

6 Q. What do you mean by "contingency"?

7 A. Contingency is another -- another  
8 word might be cushion.

9 Q. Okay.

10 A. For -- for changes down the road.

11 Q. And is a contingency or a cushion  
12 something that you would expect to see in  
13 forecasts?

14 A. Most fore -- many forecasts have  
15 contingencies in them. Some forecasts have no  
16 contingencies.

17 Q. What's the purpose of having a  
18 contingency?

19 A. Because a forecast or projection by  
20 its nature is future looking --

21 Q. Uh-huh.

22 A. -- you cannot be assured of what is  
23 going to happen.

24 Q. Uh-huh.

25 A. So, you keep some cushion, some

1 - MARTI KOPACZ - VOLUME 1-

2 contingency. It's like why do -- you know, why do  
3 we keep a savings account?

4 Q. Right. Okay. And the contingency in  
5 the forecast here is about 1 percent?

6 A. The line item contingency -- the line  
7 that is defined as contingency is 1 percent.

8 Q. Is there or are there contingencies  
9 above and beyond that one line item in the  
10 forecast?

11 A. I believe there are.

12 Q. Where would those be found?

13 A. In some of the labor estimates.

14 Q. Okay. Any others?

15 A. Some of the other expense items.

16 Q. Okay. Are you aware of any  
17 calculation that adds all of the contingencies  
18 together to come up with a single contingency  
19 number for any given year in the forecast?

20 A. Not to my knowledge.

21 Q. Did you reach any conclusion yourself  
22 about what that percentage or number would be for  
23 any given year if you added all these cushions  
24 together?

25 A. I have not.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Now, what did you think, if you had  
3 an opinion, the level of the contingency ought to  
4 be?

5 A. I did not come to a conclusion as to  
6 what I thought the contingency should be. I  
7 simply assessed whether I thought there was  
8 adequate contingency in the plans that I was  
9 presented.

10 Q. At Pages 177 and 178 of your report,  
11 you refer to Public Act -- "Public Acts 181 and  
12 182 which require a general reserve of not less  
13 than 5 percent of projected expenditures."

14 Do you see the language there?

15 A. I'm sorry. Page number again,  
16 please.

17 Q. 177 and 178.

18 A. Yes, I do.

19 Q. Okay. And that's a 5 percent cushion  
20 or 5 percent contingency?

21 A. It's a little different than the  
22 contingency that's in the City's plan of  
23 adjustment projections. This is a contingency --  
24 a calculated contingency of 5 percent of expenses.  
25 The City's plan of adjustment is 1 percent of

1 - MARTI KOPACZ - VOLUME 1-  
2 revenue. In the City's -- the City's contingency  
3 is cumulative over the years, assuming you don't  
4 use it, and this is a annual contingency.

5 Q. Do the City's forecasts to your  
6 knowledge contain any method by which the City  
7 will come into compliance with this 5 percent  
8 requirement of Public Acts 181 and 182?

9 A. I don't have any knowledge of that.

10 Q. Okay. Now, in -- I'm going to direct  
11 you to various parts of your report now.

12 Have you identified in your report  
13 various risks to the plan?

14 A. Yes.

15 Q. Okay. Let's start with Page 53.

16 A. 53?

17 Q. Yes. And you see towards the bottom  
18 of 53 there's a reference to wagering taxes?

19 A. Yes.

20 Q. And actually, this continues on to 54.  
21 Did you find that the projections'  
22 estimate of future wagering attacks -- wagering  
23 taxes appeared higher than the actuals would  
24 suggest?

25 A. When you say actuals, are you talking

1 - MARTI KOPACZ - VOLUME 1-  
2 about the -- the long-term trend on wagering or  
3 the first -- I refer to the first six months where  
4 there has been a decrease in wagering tax.

5 Q. Right.

6 A. Yes.

7 Q. We'll -- let me -- let's break this  
8 down.

9 You've written that the wagering tax  
10 rate and so on being -- are held constant,  
11 correct?

12 A. The wagering tax --

13 Q. You say, "As a result of the wagering  
14 tax rate, 10.9 percent, and the additional 2006  
15 tax rate, 1 percent, being held constant, the key  
16 assumption of the ten-year forecast is the annual  
17 percentage change in casino gross receipts,"  
18 correct?

19 A. Yes.

20 Q. Okay. And then you write that  
21 there's increasing competition from casinos in  
22 Cleveland and Toledo; is that right?

23 A. That's correct.

24 Q. Okay. And that the ten-year  
25 projections assume a decline and you describe what

1 - MARTI KOPACZ - VOLUME 1-  
2 that that's going to be, correct?

3 A. Yes.

4 Q. On the carryover page, though, you've  
5 written that the first six months of 2014 the  
6 revenues decreased 3.6 percent, correct?

7 A. Yes.

8 Q. And that's a decrease greater than  
9 that that's contained in the forecast; is that  
10 right?

11 A. That's correct.

12 Q. Do you have any reason to believe  
13 that this, I don't know what that was, that the  
14 casino revenues will change to a rate of decline  
15 more consistent with what EY has projected as  
16 opposed to the 3.6 percent in the first six months  
17 of 2014?

18 A. I think the -- this is one of the  
19 assumptions that change between the May  
20 projections and the July 2nd projections, whereby  
21 the wagering taxes -- the projections for the  
22 wagering taxes were decreased over the ten-year  
23 period, and I am satisfied that the wagering tax  
24 projections in the plan are -- are reasonable for  
25 the -- for that ten-year period.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Because they've been changed in the  
3 most recent set of projections?

4 A. The/the conversations that I and my  
5 team had with E&Y with regard to this were looking  
6 at the long-term trends, they have studied it. It  
7 would be -- you don't want to overreact to any  
8 very short-term change. So, I think the -- the  
9 decrease in the wagering tax assumption here  
10 was -- was reasonable in light of the long-term  
11 nature of the projection.

12 Q. Okay. Just to summarize, because  
13 your answer touched a few things.

14 There has been a set of projections  
15 from the City and the fourth amended plan of  
16 adjustment which was filed in May, correct?

17 A. Yes.

18 Q. And then EY came up with a revised  
19 and updated set of projections on July 2nd?

20 A. EY and Conway.

21 Q. And Conway.

22 A. Uh-huh.

23 Q. And as to wagering taxes, the  
24 July 2nd projections lowered the level of wagering  
25 tax revenue that was forecast, correct?

<p style="text-align: right;">Page 77</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. And you looked at that and were</p> <p>4 comfortable with it as changed; is that right?</p> <p>5 A. I was.</p> <p>6 Q. Now, let's, if we could, go to Page 89.</p> <p>7 At the top you've written that "The</p> <p>8 City is projecting that it will be able to collect</p> <p>9 an additional \$74 million as a result of better</p> <p>10 collections of civil fines and infractions."</p> <p>11 Have I quoted that correctly?</p> <p>12 A. That's correct.</p> <p>13 Q. And this is because the City projects</p> <p>14 it's going to increase its collection rate from</p> <p>15 the 36 percent in 2013 to 56.8 percent in 2023,</p> <p>16 correct?</p> <p>17 A. Yes.</p> <p>18 Q. Now, if the City fails to improve its</p> <p>19 collection rate, what's the effect in terms of the</p> <p>20 revenue it can expect from fines?</p> <p>21 A. I would have to calculate that.</p> <p>22 Q. Okay. It would -- it would fall in</p> <p>23 direct proportion to the -- to the collection</p> <p>24 rate; is that correct?</p> <p>25 A. Only if you assume the same rate of</p>	<p style="text-align: right;">Page 79</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Transportation. And that is the bus service in</p> <p>3 Detroit, among other things?</p> <p>4 A. It is.</p> <p>5 Q. Okay. And the City subsidizes -- I'm</p> <p>6 going to call it DDOT, in which --</p> <p>7 A. DDOT.</p> <p>8 Q. Okay.</p> <p>9 -- the City subsidizes DDOT, correct?</p> <p>10 A. It traditionally has subsidized DDOT,</p> <p>11 yes.</p> <p>12 Q. And the/the forecasts project that</p> <p>13 the amount of the subsidy is/is projected to fall</p> <p>14 in the coming years?</p> <p>15 A. At the operating level, yes, but --</p> <p>16 Q. Okay. Now, on Page 95, there's a</p> <p>17 reference to overtime at DDOT. And you've written</p> <p>18 in the middle of the page, "The decrease in</p> <p>19 overtime at DDOT is a key assumption over the next</p> <p>20 ten years as the City provides a subsidy to DDOT."</p> <p>21 Why is it a key assumption?</p> <p>22 A. Because it is a -- overtime at DDOT</p> <p>23 is a significant operational and economic issue.</p> <p>24 Q. Uh-huh.</p> <p>25 A. They spend a lot of money on</p>
<p style="text-align: right;">Page 78</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 fines imposed.</p> <p>3 Q. Uh-huh. Have there been projections</p> <p>4 about increasing the level of fines as well?</p> <p>5 A. Yes, there has been discussion.</p> <p>6 Q. So it would be a combination of</p> <p>7 implementing increases and also collecting more?</p> <p>8 A. Yes.</p> <p>9 Q. I mean collecting a higher</p> <p>10 percentage?</p> <p>11 A. But this -- this is collecting --</p> <p>12 this is about collecting more of the fines that</p> <p>13 are imposed.</p> <p>14 Q. Now, if it turns out the City just</p> <p>15 doesn't deliver on that --</p> <p>16 A. Yes.</p> <p>17 Q. -- there would be a revenue shortfall</p> <p>18 to that extent, correct?</p> <p>19 A. I would assume so, all other things</p> <p>20 equal.</p> <p>21 Q. Okay. And is that one of the reasons</p> <p>22 forecasts usually has a cushion or a contingency?</p> <p>23 A. Could be.</p> <p>24 Q. Okay. The -- let's go to -- let me</p> <p>25 ask you about the Detroit Department of</p>	<p style="text-align: right;">Page 80</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 overtime.</p> <p>3 Q. Is that an issue the City has</p> <p>4 attempted to remedy over the years?</p> <p>5 A. I don't know if it's attempted to</p> <p>6 remedy it over the years.</p> <p>7 Q. What do you recall?</p> <p>8 A. I do know that it is a focus of the</p> <p>9 mayor and of Mr. Dirks who is the DDOT head.</p> <p>10 Q. Okay. The bottom of 95 you write,</p> <p>11 "If the City is unsuccessful in decreasing</p> <p>12 overtime and overtime remains at 40 percent of</p> <p>13 payroll, the subsidy would be \$61 million higher</p> <p>14 than currently projected over the ten years,"</p> <p>15 correct?</p> <p>16 A. Yes.</p> <p>17 Q. So, realizing that savings is</p> <p>18 contingent upon the City successfully decreasing</p> <p>19 overtime in DDOT in the years to come, correct?</p> <p>20 A. Correct.</p> <p>21 Q. Is that a reason to have a</p> <p>22 contingency or a cushion, to allow for the risk</p> <p>23 that may not occur?</p> <p>24 A. It's an example of a risk that you</p> <p>25 would want to factor in.</p>

20 (Pages 77 to 80)

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Q. But when you say "factor in," you mean the projections have some allowance for the chance this opportunity may not be realized?

A. I don't know if the contingency was created to address this specifically, but clearly, this is a risk and you put a contingency in so that you can balance off the positive and the negative variances.

Q. Okay. Now, at Page -- I've asked you before about improvement of the City's IT systems and we talked about the amount of the spend the City is thinking about for IT improvements. Some of those would be implementation of new IT systems all together?

A. Yes.

Q. Are you familiar with the failure rate of implement -- implementation of new IT systems?

A. We did. I am.

Q. Okay. And what -- what is -- what are the risks of a failure of implementation of a new IT system?

A. Time and money.

Q. Okay. How -- and what would the

- MARTI KOPACZ - VOLUME 1-

effect be of the time delay?

A. It would take longer to implement the system.

Q. And would that impede implementation of the RRI's?

A. If the RRI is about the IT or if there is some component of an RRI that's predicated on an IT solution.

Q. And to the extent that the City was expecting more revenue or lower costs from a new IT system, would a delay in implementation affect that revenue or that cost savings?

A. It could.

Q. Okay. You said it would be time and money.

What would the money element be if a failure to implement an IT system --

A. It would simply cost more.

Q. Cost overrun?

A. Yes.

Q. Okay. And how common are such cost overruns in the IT world?

A. Fairly common.

Q. Okay. Now, on Page 122, under

- MARTI KOPACZ - VOLUME 1-

"Impact on Feasibility," you've written, "The risks associated with the IT initiatives alone warrant additional financial contingency beyond the general 1 percent assumption in the POA projections."

Do you see that?

A. I do.

Q. And is that because of the risk you just told -- you talked to me about, about time and money, that could result from a slippage?

A. Yes.

Q. Do you know if there's any other contingency in the forecast or IT shortcomings above and beyond the 1 percent contingency?

A. The -- what I am aware of is that some of the IT investments in terms of the cost that the City has estimated those to be are -- appear to be, you know, have some cushion in them.

Q. Uh-huh.

A. The one I'm familiar with or the couple that I'm familiar with are -- are what -- what my team and Mr. Childree in specifically looked at the ERP, having done that in his career at the State of Alabama and what it should cost,

- MARTI KOPACZ - VOLUME 1-

and his assessment was that they should be able to do it for the money that's in there.

Q. Okay.

A. I know that Ms. Niblock is in the process of replacing all of the laptop PCs for the City and that the price they're assuming on a per unit basis is reasonable with a little bit of cushion in it, so I believe in that 150 is a little bit of cushion. I don't know what it is specifically and I don't know what it totals to. But I know they've made an attempt to be reasonably conservative on what those costs are.

Q. Right. Going back to Page 122, is it your opinion that the City should have -- should increase its 1 percent contingency to allow for the risks associated with the IT initiatives?

MR. KANE: Before you answer, Geoff, I just want to make a minor clarifying point.

MR. STEWART: Sure.

MR. KANE: I haven't quibbled with the term "opinion" as a proxy for "view" --

MR. STEWART: Yeah.

MR. KANE: -- or "conclusion." I just want to make sure we're talking small

1 - MARTI KOPACZ - VOLUME 1-  
2 "o" opinion.  
3 MR. STEWART: Why don't I say --  
4 con -- why I don't just change the question,  
5 say conclusion just to make it clear.

6 MR. KANE: Thank you.

7 BY MR. STEWART:

8 Q. Let me ask the question again. Let  
9 me -- let's go back to Page 122.

10 A. Uh-huh.

11 Q. Is it your conclusion that the risk  
12 associated with the IT initiatives alone should  
13 require an increase in the contingency above the  
14 1 percent that's in the forecast?

15 A. My preference would be if -- that I  
16 would like to see more contingency. I've said  
17 that kind of throughout my report, and this is one  
18 of the areas where I think it would be good to  
19 have more contingency.

20 Q. As a general matter, why is it good  
21 to have a bigger contingency?

22 A. Because these are -- these are big  
23 projects happening in the future, things will  
24 change.

25 Q. Okay. Now, on Page 193 of your

1 - MARTI KOPACZ - VOLUME 1-  
2 report, you point out that -- and this is at the  
3 top, under "Macroeconomic Issues," you write that  
4 "I believe the City's economic forecast that  
5 informed the projections considered normalized  
6 economic conditions. I do not believe the City's  
7 projections accounted for any significant economic  
8 disruptions similar to those experienced recently  
9 during the Great Recession."

10 Let me start by asking you, just so  
11 we have it, what do you mean by "normalized  
12 economic conditions"?

13 A. Something that isn't predicated on a  
14 recession or, alternatively, a boom.

15 Q. Uh-huh. And when we look at Detroit,  
16 we saw a fiscal collapse from about 2000 to about  
17 2007?

18 A. I haven't looked back to 2000.  
19 Right?

20 Q. Uh-huh. And then there were the  
21 effects of the Great Recession on Detroit as well,  
22 correct?

23 A. Right. The obvious.

24 Q. Fair to say in the past 14 or  
25 15 years the population of Detroit has fallen

1 - MARTI KOPACZ - VOLUME 1-  
2 substantially?

3 A. Yes.

4 Q. Employment has fallen substantially?

5 A. Yes.

6 Q. Revenues have fallen substantially?

7 A. Yes.

8 Q. Industrial base has continued to  
9 erode?

10 A. Yes.

11 Q. Okay. Do you have any reason to  
12 believe as we look at the next 40 years that  
13 Detroit will not experience another economic  
14 reversal?

15 A. In terms of continuing decline or  
16 reversal to continuing uptick?

17 Q. Do you believe Detroit right now,  
18 today, is experiencing normalized economic  
19 conditions?

20 A. For Detroit, yes.

21 Q. What does it mean when you say  
22 normalized economic conditions for Detroit?

23 A. I think Detroit is stabilizing and is  
24 at -- as I said before, is at a tipping point and  
25 has prospects of stabilizing and growing again.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Okay. And if it does tip, what  
3 happens.

4 A. If it does tip? Tip up or tip down?

5 Q. Tip down.

6 A. I don't think any of this would work.

7 Q. Okay. Now, as you look forward to  
8 the next 10 or 40 years, what assurance is there  
9 that Detroit is not going to encounter another  
10 fiscal collapse?

11 A. I don't think there are any  
12 assurances.

13 Q. What are the odds that the nation  
14 will have another recession?

15 A. I have no idea.

16 Q. How often have recessions typically  
17 occurred in recent years?

18 A. I haven't thought about that.

19 Q. Okay.

20 A. Don't have an opinion. Don't have a  
21 thought.

22 Q. Okay. Are you aware of any reason to  
23 believe Detroit is on the verge of a -- of a  
24 radical economic boom?

25 A. Radical economic boom?

- MARTI KOPACZ - VOLUME 1-

Q. Uh-huh.

A. No.

Q. Now, one of the things your report dealt with at great length was pension issues, correct?

A. Yes.

Q. Okay. And without getting into each of the pension issues, as a general matter, what concern, if any, did you express -- pardon me -- about the City's potential future pension liabilities?

A. I expressed concern that the City needs to -- the City would be advised to monitor annually and actively its future unfunded liabilities.

Q. Okay. And, pardon me -- in those future unfunded liabilities -- well, let me back up.

Why do you think the City should actively monitor its -- its future unfunded liabilities?

A. Because the City, as part of the plan, has fixed its contribution, okay, over the next ten years, which for purposes of my

- MARTI KOPACZ - VOLUME 1-

in some analytical way in terms of what level of risk that poses to the City's ability or City's ability to implement its plan?

A. I don't think I understand the question.

Q. Have you been able to quantify what that risk would be to the City?

A. We -- we have asked the City to do a sensitivity analysis of various investment returns.

Q. Right.

A. And that is part of the open request that's still outstanding. We did get information from Milliman on the sensitivity analysis we requested for the PFRS system, but not for the GRS.

Q. And Milliman is, for the record, is the City's actuary?

A. Yes.

Q. Okay. Now, if turns out that the pension funds underperform in terms of their investments at 6.75 percent what, if anything, would the City be required to do?

A. The City would eventually be required

- MARTI KOPACZ - VOLUME 1-

feasibility assessment is a positive thing, right? It gives the City certainty around what it needs to spend on its old pension program.

Q. Okay. Now, if it turns out -- well, let me ask about a few things.

First of all, are you aware that the City settlement with the retirement systems includes, among other things, an assumed rate of investment return of 6.75 percent?

A. I am aware of that.

Q. Is there a risk associated with that?

A. Yes.

Q. What is the risk?

A. The risk is that the investment return over the -- the course of the time frame would not equal 6.75 percent.

Q. And if that occurs, what would the effect be upon the City?

A. If the investment return is less than that, the effect on the City would be that it would have a larger unfunded liability.

Q. Have --

A. In the future.

Q. -- have you been able to reduce that

- MARTI KOPACZ - VOLUME 1-

to put together a plan to fund that.

Q. Is that risk something that should be provided for in the plan as part of the contingency?

A. I -- I don't -- as part of the contingency today?

Q. Uh-huh.

A. No.

Q. Why not?

A. Because it is a far in the future obligation.

Q. Uh-huh.

A. And many, many things can change by the time that the City is obligated to -- to address that issue.

Q. Okay. Your report speaks of other issues involving the pensions as well, including, for example, pension restoration.

A. Yes.

Q. Remember the sections on that? And the operation of the pension restoration mechanism also could affect how much the City might have to some day pay the retirement systems, correct?

A. Yes.



- MARTI KOPACZ - VOLUME 1-

Q. Would your answer be the same if I ask you whether that had to be provided for in today's contingency?

A. Yes.

Q. And just so we don't spend all day on pensions, there were other issues identified as well in your report having to do with pensions, correct, besides --

A. Yes.

Q. And your answer would be the same that, although that is a potential cost to the City in future years, it is not something that would have to be reflected in the contingency today?

A. Correct.

Q. Okay. Let's look, if we could, then I'll move on and almost be done, on Page 200 and 201?

A. 200 and 201.

Q. The bottom --

(Whereupon, a brief discussion was held off record.)

BY MR. STEWART:

Q. Anyhow, 200 to 201, you've written in

- MARTI KOPACZ - VOLUME 1-

conservative assumption would be something that would either cause a reduction in the value of the revenue or an increase of the value of the expenses.

Q. Have you attempted to quantify the conservative assumptions in the City's projections?

A. I have not.

Q. You then go on the say, "While I do not believe a 1 percent contingency is adequate, I believe that the POA projections taken as a whole fall within the range of reasonableness and within my definition of the feasibility standard."

Do you see that?

A. That's correct.

Q. And are you saying that, although the 1 percent contingency is not enough, the other conservative assumptions offset any shortcomings?

A. I'm saying taken as a whole -- the projections with all of the conservative and aggressive assumptions taken as -- as a whole are reasonable.

Q. Okay. Let me ask you about sensitivity analyses now.

- MARTI KOPACZ - VOLUME 1-

the carryover sentence, and I'm going to start in the middle of it, "I believe that there are enough conservative assumptions in the projections to offset what I view as an aggressive assumption concerning the level of contingencies particularly in the early years."

And fair to say that the aggressive assumption on contingencies is the 1 percent?

A. Yes.

Q. And the conservative assumptions would be what?

A. I think the -- I think there are reasonably conservative assumptions on the revenue side.

Q. Uh-huh.

A. I think there are -- there are some reasonably conservative assumptions relative to the total head count in the early years in terms of the people employed by the City.

Q. Anything else?

A. Not off the top of my head.

Q. And when you use the phrase "conservative assumptions," what do you mean?

A. Conservative would mean -- a

- MARTI KOPACZ - VOLUME 1-

A. Okay.

Q. And you have about a half dozen of them in your report, correct?

A. I haven't counted them.

Q. Okay. Well, nor are we going to itemize them all here, but they seem to be about that many. And let me just go to the first one, which is on Page 48, 49. And this is the sensitivity analysis about income taxes.

A. Okay.

Q. And the analysis is described on Page 48 and the table is on 49.

A. Uh-huh.

Q. Is it fair to say that this is the mathematical exercise of the simply showing what a 1 percent change results in if no other constants change?

A. That's correct.

Q. In fact, a change in taxable income could affect other constants, right?

A. It could.

Q. And if so, the sensitivity analysis would have to be altered to take into account those other changes; is that right?

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A. Generally, a sensitivity analysis is done around a single variable.

Q. Okay.

A. Right?

Q. And all of the sensitivity analyses -- analyses you have done have been done around a single variable, right?

A. Yes.

Q. And when it predicts a -- the effects of a 1 percent change, it would be that absolute number whether the 1 percent is up or whether the 1 percent is down, correct?

A. Yes. Yes.

MR. STEWART: That is all I have.

MR. HACKNEY: This might be a good time for a break. I'm going to move all my stuff over there.

MR. STEWART: Sure.

THE VIDEOGRAPHER: Okay. The time now is 11:04 a.m. We're going off the record.

(Whereupon, there was a brief recess in the proceedings.)

THE VIDEOGRAPHER: Time now is

- MARTI KOPACZ - VOLUME 1-

11:12 a.m., and we're back on the record.

EXAMINATION BY MR. HACKNEY:

Q. Ms. Kopacz, we've met before but --

A. We have.

Q. -- I'll introduce myself again. My name is Steve Hackney and I represent Syncora in the City of Detroit bankruptcy case. It's ice to see you again.

A. Nice to see you again.

Q. Let me ask you some open-ended questions at the start here.

I first want to confirm that you're not intending to offer opinions other than the ones that are contained in your report, correct?

A. That is my intention, yes.

Q. Okay. And you have disclosed the bases for your opinions as well as the facts and data that you considered in your report, correct?

A. Yes.

Q. What are the limitations of the EY forecasts in your view? And I'm going to get some terminology down here, which is to say when I refer to the EY forecast at large, I mean all of them. So I mean the -- the baseline forecast

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without RRI's. I mean the forecast with RRI's. I mean the 40-year forecast. So when I refer to the forecasts at large, I'll call them the EY forecasts. Does that work for you?

A. And that includes the Conway position?

Q. It does.

A. Okay.

Q. Because you have to -- to have a name for them and ultimately EY assembled them.

A. Right.

Q. And so -- I mean, I can call them whatever you want, put it another way --

A. Okay.

Q. -- but if there's a time where you want to say well, Steve, I need to talk about this instead of this, let me know. Okay?

And, as a general rule, if I ask you a question that doesn't make sense, as I am wont to do, will you please let me know so that I can rephrase it?

A. Yes.

Q. If you -- do you understand that if you answer my question, I'm going to assume that

- MARTI KOPACZ - VOLUME 1-

you understood my question?

A. Yes.

Q. So going back to it, what are the limitations of the EY forecasts that are included in the plan in your view?

A. The limitations? I'm struggling with the word "limitations."

Q. Okay.

A. As I said in an answer to Mr. Stewart's question, the projections in the City's plan are -- were created for specific purpose and they are not what we would typically expect to see as a set of projections for a plan of reorganization in a Chapter 11 case. So, they're just -- they're -- it takes more effort to understand what they are and what they aren't.

Q. Going back to that, I wanted to make clear that you are specifically disclaiming any opinions on whether the -- whether the plan is in the best interests of creditors, correct?

A. That was not in my scope.

Q. And you don't have any opinions on that?

A. I do not have an opinion.

<p style="text-align: right;">Page 101</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And you did not attempt to -- to</p> <p>3 determine whether the -- the City might do better</p> <p>4 than the -- the forecasts such that there would be</p> <p>5 more to distribute to creditors, correct?</p> <p>6 A. Yes. And I -- I think at some point</p> <p>7 in my report I said there are -- there are things</p> <p>8 that I didn't -- that I very clearly didn't do,</p> <p>9 and I didn't -- I didn't look at best interest of</p> <p>10 creditors. It was outside of my scope, and I</p> <p>11 didn't look to see if there was a way in which the</p> <p>12 City could generate more cash, and I didn't look</p> <p>13 at any of the alternative plans.</p> <p>14 Q. And just to be clear, to the extent</p> <p>15 the City is purporting to use the projections to</p> <p>16 satisfy the best interests of creditors test, you</p> <p>17 do not have an opinion that the projections are</p> <p>18 appropriate for that purpose, correct?</p> <p>19 A. I don't have any opinion around best</p> <p>20 interest at any level.</p> <p>21 Q. Okay. But I have to tie it to the</p> <p>22 forecasts as well, correct? You're not saying</p> <p>23 these forecasts satisfy the City's burden in</p> <p>24 connection with the best interests of creditors?</p> <p>25 A. I -- no. I don't have any -- I don't</p>	<p style="text-align: right;">Page 103</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 stuff, right? And at that point in time, when</p> <p>3 KPMG signs off and it files its CAFR, then --</p> <p>4 CAFR, C-A-F-R, comprehensive annual financial</p> <p>5 report, those are numbers that have been vetted,</p> <p>6 if you will.</p> <p>7 Q. The negative implication of your</p> <p>8 question is that in between CAFRs, the City does</p> <p>9 not have reliable financial records, correct?</p> <p>10 A. They have ad hoc records.</p> <p>11 Q. They are definitely ad hoc.</p> <p>12 A. Yes.</p> <p>13 Q. Are they reliable?</p> <p>14 A. Some may be and some may not be.</p> <p>15 Q. Okay. You did not have sufficient</p> <p>16 time to audit the records of the City, correct?</p> <p>17 A. No, and it wasn't in my scope.</p> <p>18 Q. Okay. So you have not made a</p> <p>19 determination as to whether the financial</p> <p>20 information upon which the projections are built,</p> <p>21 to the extent that they're not derived from a</p> <p>22 CAFR, are based on reliable financial records,</p> <p>23 correct? You haven't made that determination.</p> <p>24 A. Can you repeat the question, please?</p> <p>25 MR. KANE: I was distracting her with</p>
<p style="text-align: right;">Page 102</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 have anything to say about that.</p> <p>3 Q. Okay. I guess -- let me go back to</p> <p>4 the subject of limitations and give you an example</p> <p>5 to help inform my question a little bit.</p> <p>6 So you're aware that the City has</p> <p>7 what I'll describe as troubled data systems with</p> <p>8 respect to the collection of financial records?</p> <p>9 A. Yes.</p> <p>10 Q. You're also aware that the forecast</p> <p>11 is, in some respects, based on historical</p> <p>12 financial records?</p> <p>13 A. Yes.</p> <p>14 Q. So, an example of a limitation would</p> <p>15 be that if the City has historical financial</p> <p>16 records that are of questionable validity, that</p> <p>17 that could be a limitation on the accuracy of the</p> <p>18 forecast. So I'm using this as an example of</p> <p>19 something that could be a limitation. I'm not</p> <p>20 saying that it is or it isn't, but I'm trying to</p> <p>21 inform my question to you more to help put some</p> <p>22 meat on the bones so to speak.</p> <p>23 A. The City has accurate financial</p> <p>24 information once a year when it completes its --</p> <p>25 its annual audit and gets its annual financial</p>	<p style="text-align: right;">Page 104</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the microphone.</p> <p>3 MR. HACKNEY: That's okay. It's a</p> <p>4 long one, but I think it was the best way to</p> <p>5 ask it, so it may be better to have it read</p> <p>6 back.</p> <p>7 (The question requested was read back</p> <p>8 by the reporter.</p> <p>9 THE WITNESS: That didn't help me.</p> <p>10 Can we try again?</p> <p>11 BY MR. HACKNEY:</p> <p>12 Q. Yeah. So, I think -- let me try and</p> <p>13 summarize what you've said.</p> <p>14 I believe that you have testified</p> <p>15 that you believe the CAFRs are reliable financial</p> <p>16 information sets, correct?</p> <p>17 A. Right. I -- the CAFRs are based on</p> <p>18 financial information that has been tested and</p> <p>19 vetted and upon which KPMG has opined. Okay?</p> <p>20 I may quibble with some of the</p> <p>21 accounting that's in there just because I have a</p> <p>22 view of certain things. Okay? But at least at</p> <p>23 that point in time, if we're looking at, for</p> <p>24 example, the CAFR in June of '12, which was the</p> <p>25 basis for the original baseline by E&amp;Y, if they</p>

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<p style="text-align: right;">Page 105</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 said they had 10,002 employees and they paid them</p> <p>3 \$386 million, I think those are probably very good</p> <p>4 numbers.</p> <p>5 Q. Okay. So, I think we're on common</p> <p>6 ground when we say to one another the CAFRs are in</p> <p>7 your view reliable financial information sets,</p> <p>8 correct?</p> <p>9 A. Right.</p> <p>10 Q. We then talked about the -- in the</p> <p>11 interim between --</p> <p>12 A. Right.</p> <p>13 Q. -- between the CAFRs, I think your</p> <p>14 testimony was to the effect of some information</p> <p>15 may be reliable and some may not be reliable,</p> <p>16 correct?</p> <p>17 A. Yes.</p> <p>18 Q. That's part of the problem that</p> <p>19 Detroit is facing now, right, it's difficulty with</p> <p>20 its an assembly of financial information?</p> <p>21 A. Yes.</p> <p>22 Q. So my question is that to the extent</p> <p>23 that the forecasts in the plan are based on</p> <p>24 information that was developed after the 2012</p> <p>25 fiscal year CAFR, you have not made an assessment</p>	<p style="text-align: right;">Page 107</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. Okay. Now, with respect to the</p> <p>4 forecasts that are included in the plan, what is</p> <p>5 the base year for those forecasts?</p> <p>6 A. The base year for the original</p> <p>7 ten-year was 2012 and then it was updated for</p> <p>8 information that was known in 2013 and it has been</p> <p>9 subsequently updated for information that is known</p> <p>10 in 2014, which is the year we just finished.</p> <p>11 Q. So let's get terminology straight,</p> <p>12 because I would get this turned around.</p> <p>13 But isn't it true that fiscal year</p> <p>14 2013 ended on June 30th, 2013?</p> <p>15 A. Correct.</p> <p>16 Q. Okay.</p> <p>17 A. And that's the first baseline.</p> <p>18 Q. And you understand that when the</p> <p>19 first baseline forecast was being built it was</p> <p>20 prior to the end of fiscal year 2013?</p> <p>21 A. Yes.</p> <p>22 Q. And so, in that forecast, the base</p> <p>23 year was clearly fiscal year 2012, correct?</p> <p>24 A. Up to -- yes, and updated for what</p> <p>25 was discernable and knowable before that</p>
<p style="text-align: right;">Page 106</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 of whether that financial information is reliable,</p> <p>3 correct?</p> <p>4 A. Individually that is correct. Yes.</p> <p>5 Q. Okay. And isn't it true that the</p> <p>6 fiscal year 2013 CAFR just came out last week?</p> <p>7 A. That is correct.</p> <p>8 Q. So that wasn't available to the</p> <p>9 forecasters at EY in connection with their</p> <p>10 forecast, correct?</p> <p>11 A. Parts of that -- information that is</p> <p>12 contained in the CAFR is available throughout the</p> <p>13 year. So, for example, the City has a good handle</p> <p>14 on cash, so it can tell you how much cash it has</p> <p>15 and how much cash it has to pay, right?</p> <p>16 What its future obligations may be</p> <p>17 for some construction project that's going on, it</p> <p>18 probably can't tell you.</p> <p>19 Q. Okay. So there were parts of the</p> <p>20 2013 CAFR that may have been available to E&amp;Y --</p> <p>21 A. Yes.</p> <p>22 Q. -- and parts that were not?</p> <p>23 A. Correct.</p> <p>24 Q. And they -- the same parts were</p> <p>25 available to you and not, correct?</p>	<p style="text-align: right;">Page 108</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 projection was made.</p> <p>3 Q. So I understand that the projection</p> <p>4 involves updating --</p> <p>5 A. Yes.</p> <p>6 Q. -- things, but when I talk about the</p> <p>7 base year, that's not something that you update,</p> <p>8 correct?</p> <p>9 A. Correct.</p> <p>10 Q. The base year is the historical base,</p> <p>11 correct?</p> <p>12 A. Correct. Yes.</p> <p>13 Q. So, when we get to the forecasts that</p> <p>14 are included in the instant plan, the most recent</p> <p>15 set of those was dated July 2nd, correct?</p> <p>16 A. Correct.</p> <p>17 Q. And that's of 2014?</p> <p>18 A. Correct.</p> <p>19 Q. What was the historical base year for</p> <p>20 the forecasts that are in the plan?</p> <p>21 A. It's -- it's still the baseline plan,</p> <p>22 the ten-year plan, updated for the updated RRI's,</p> <p>23 updated for the new 40-year.</p> <p>24 Q. But based off of fiscal year 2012?</p> <p>25 A. The baseline was 2012.</p>

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<p style="text-align: right;">Page 109</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Right.</p> <p>3 A. Right.</p> <p>4 Q. But what about the ten-year</p> <p>5 restructuring forecast? Is that base year 2012?</p> <p>6 Base year 2013?</p> <p>7 A. The ten-year restructuring forecast,</p> <p>8 I think of that as the 40-year plan. The ten-year</p> <p>9 that's within the 40-year?</p> <p>10 Q. Yes.</p> <p>11 A. I think that has been largely up</p> <p>12 dated for '13.</p> <p>13 Q. Okay. So is the base year for the</p> <p>14 40-year that includes the 10-year --</p> <p>15 A. Yes.</p> <p>16 Q. -- fiscal year 2013?</p> <p>17 A. It's '12 adjusted for what they knew</p> <p>18 about '13.</p> <p>19 Q. Okay. So it's --</p> <p>20 A. It's a hybrid.</p> <p>21 Q. -- it's a bit of a hybrid?</p> <p>22 A. It is.</p> <p>23 Q. Okay. And is that typical in</p> <p>24 forecasting?</p> <p>25 A. Is it typical in forecasting? It is</p>	<p style="text-align: right;">Page 111</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 had to be.</p> <p>3 Q. Yeah. It had to be.</p> <p>4 A. By definition, had to be.</p> <p>5 Q. Are there problems with the forecasts</p> <p>6 that are in the plan in your view?</p> <p>7 A. Problems? I -- I don't -- there's</p> <p>8 not problems with them in the sense of where they</p> <p>9 end up, right? I, again, have been really</p> <p>10 critical of how confusing they are.</p> <p>11 Q. I was going to say that it seems to</p> <p>12 me that when a forecast is confusing, and I'm one</p> <p>13 of the people that shares your view that they're</p> <p>14 confusing, that strikes me as a problem with the</p> <p>15 forecast. I think a forecast should not be</p> <p>16 confusing, but that's me and I wanted to ask</p> <p>17 whether or not the confusing nature of the</p> <p>18 forecasts was a problem from your point of view?</p> <p>19 A. It -- it caused my team to spend an</p> <p>20 enormous amount of time in understanding and</p> <p>21 checking the model, right? It -- it -- I think</p> <p>22 the -- the word I'd use in here or a word I used</p> <p>23 at one point in time was it was tedious.</p> <p>24 Q. Isn't it fair to say that it -- it</p> <p>25 took an enormous amount of time just to understand</p>
<p style="text-align: right;">Page 110</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 typical if forecasting goes on for a long period</p> <p>3 of time as this has. And think about it. They've</p> <p>4 been -- they've been doing these forecasts for a</p> <p>5 long, long time, and so they keep updating them.</p> <p>6 But originally, it started with the baseline which</p> <p>7 was predicated on '12 -- of 2012.</p> <p>8 Q. Okay. And so to the extent the</p> <p>9 forecast for 2013 was superseded by actual</p> <p>10 results, your testimony is that the forecast was</p> <p>11 updated to take account of the actual results that</p> <p>12 had already happened?</p> <p>13 A. To the -- to the extent that -- yes,</p> <p>14 there are -- there are updates. Because there</p> <p>15 are -- I'm trying to think, I think there are six</p> <p>16 sets of projections, right? We only focused on</p> <p>17 the May 5th and the July 2nd, but there were other</p> <p>18 sets of projections before that that existed, you</p> <p>19 know, from that. So, all of those have changed</p> <p>20 and incorporated both new actual results and new</p> <p>21 assumptions.</p> <p>22 Q. And the new actual results</p> <p>23 post-fiscal year 2012 are ones that were derived</p> <p>24 from something other than the CAFR, correct?</p> <p>25 A. As the CAFR was filed last week, yes,</p>	<p style="text-align: right;">Page 112</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the model?</p> <p>3 A. We -- yes. I -- I believe that I</p> <p>4 have a good understanding of all the models. You</p> <p>5 know, members of my team have a -- an incredibly</p> <p>6 intimate understanding of those models. But that</p> <p>7 required a significant effort on our part, but we</p> <p>8 understand them now.</p> <p>9 Q. How long would you say it took you</p> <p>10 and your team to reach the point where you could</p> <p>11 say, okay, I now have an understanding of the</p> <p>12 model?</p> <p>13 A. About the -- by the time we got the</p> <p>14 July 2nd numbers, we had a really good</p> <p>15 understanding of the May 5th numbers.</p> <p>16 Q. Okay. So, you were retained on or</p> <p>17 about April 22?</p> <p>18 A. April 22nd. We got the working</p> <p>19 models on the E&amp;Y stuff Memorial Day.</p> <p>20 Q. Which was April 30 or something like</p> <p>21 that?</p> <p>22 A. May something or other, right?</p> <p>23 Q. Okay.</p> <p>24 A. And, you know, within a couple of</p> <p>25 weeks of actually getting the working models, we</p>

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<p style="text-align: right;">Page 113</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 were in -- in pretty good stead with understanding</p> <p>3 the May 5th, and then we got the July 2nd and went</p> <p>4 through a similar process with that; albeit, you</p> <p>5 know, we already knew how they worked so it was</p> <p>6 easier to do those.</p> <p>7 Q. So would you say by the end of May</p> <p>8 that you believe your team had achieved a good</p> <p>9 working understanding?</p> <p>10 A. No. By the end of -- by the end of</p> <p>11 June.</p> <p>12 Q. Oh, by the end of June?</p> <p>13 A. By the end of June.</p> <p>14 Q. And you --</p> <p>15 A. We didn't get the working models</p> <p>16 until the end of May.</p> <p>17 Q. Okay. You had less than --</p> <p>18 A. May something or other.</p> <p>19 Q. You had less than 90 days to do your</p> <p>20 work in this case, correct?</p> <p>21 A. Yeah, whatever it's been.</p> <p>22 Q. So May, June, July -- April 22 to</p> <p>23 May -- July 18 I think.</p> <p>24 A. Yes.</p> <p>25 Q. Did you have sufficient time to do</p>	<p style="text-align: right;">Page 115</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 sure, right?</p> <p>3 Q. And my question was, you haven't done</p> <p>4 a comprehensive review to test whether Conway is</p> <p>5 correct in either the assessment of operational</p> <p>6 needs or its conclusion regarding whether the RRI's</p> <p>7 will solve the operational needs, correct?</p> <p>8 A. That's correct.</p> <p>9 Q. What -- what revenue streams are not</p> <p>10 included in the plan forecasts?</p> <p>11 A. The Grand Bargain revenue streams.</p> <p>12 Q. Okay. Those are not included in the</p> <p>13 forecasts?</p> <p>14 A. Well, they're in the forecasts, but</p> <p>15 they're not in the -- they're in the plan</p> <p>16 forecast, but they're not in the City's budget</p> <p>17 because those monies don't -- they don't flow</p> <p>18 through the city when they come in.</p> <p>19 Q. Understood. Okay. So the Grand</p> <p>20 Bargain forecasts are not -- not --</p> <p>21 A. So the --</p> <p>22 Q. -- in -- the Grand Bargain proceeds</p> <p>23 are not in the City's forecasts, correct?</p> <p>24 A. They're in the plan, but they're not</p> <p>25 in -- I -- I may have confused myself.</p>
<p style="text-align: right;">Page 114</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 your work?</p> <p>3 A. I feel like I did. I mean there's</p> <p>4 still a couple of things that, as I said in to</p> <p>5 response to Mr. Stewart, questions that I intend</p> <p>6 to do going forward. But for the most part, I am</p> <p>7 satisfied with our ability to evaluate what all</p> <p>8 the information that was available and meet with</p> <p>9 the people that were available and do what we</p> <p>10 needed to do.</p> <p>11 Q. With respect to the forecasts?</p> <p>12 A. With respect to the forecasts.</p> <p>13 Q. Now, with respect to the</p> <p>14 restructuring and reinvestment initiatives, you're</p> <p>15 not offering the opinion that they will achieve</p> <p>16 the goals that they're held out to achieve,</p> <p>17 correct?</p> <p>18 A. No. No.</p> <p>19 Q. And you haven't conducted a</p> <p>20 comprehensive review of the City's department from</p> <p>21 an operational standpoint to understand how the</p> <p>22 restructuring and reinvestment initiatives map on</p> <p>23 to needs of each department, correct?</p> <p>24 A. I have not redone -- I have not</p> <p>25 redone the work that Conway has done. That's for</p>	<p style="text-align: right;">Page 116</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 They're not in -- they're not what we</p> <p>3 would consider to be part of the City's budget.</p> <p>4 Q. Understood.</p> <p>5 A. Right. But they're in the plan as a</p> <p>6 sources of funds.</p> <p>7 Q. Okay. So, let me -- let me put --</p> <p>8 let me turn the question around, which is what</p> <p>9 revenue streams did you not study?</p> <p>10 A. I don't think that there was any</p> <p>11 revenue stream of a recurring nature that we</p> <p>12 didn't study.</p> <p>13 Q. Well, what about something like DWSD?</p> <p>14 Did you undertake an analysis to determine whether</p> <p>15 in the future the City's general fund might obtain</p> <p>16 revenue from what is currently known as DWSD?</p> <p>17 A. We did not do that.</p> <p>18 Q. Okay. So you have no opinions on</p> <p>19 that one way or the other?</p> <p>20 A. I do not.</p> <p>21 Q. You are generally aware that there is</p> <p>22 this concept that the DWSD may change the</p> <p>23 structuring in which it's housed in a way that</p> <p>24 yields an additional revenue stream to the general</p> <p>25 fund?</p>

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<p style="text-align: right;">Page 117</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. KANE: Objection. You can</p> <p>3 answer.</p> <p>4 BY MR. HACKNEY:</p> <p>5 Q. Just -- are you aware of the concept?</p> <p>6 A. I'm aware that there's discussion</p> <p>7 around that, yes, and that DWSD is an enterprise</p> <p>8 fund.</p> <p>9 Q. Other than that, DWSD was outside</p> <p>10 your scope?</p> <p>11 A. DW -- other than the pension funding</p> <p>12 transfer from DWSD to the general fund, I did not</p> <p>13 look at DWSD.</p> <p>14 Q. What about, did you study the</p> <p>15 likelihood and magnitude of potential asset sales?</p> <p>16 A. I met with people in the City and</p> <p>17 with the City's advisors to talk about potential</p> <p>18 asset sales, yes.</p> <p>19 Q. Are potential asset sales included in</p> <p>20 the plan forecasts as a potential source of</p> <p>21 revenue?</p> <p>22 A. No.</p> <p>23 Q. Okay. So, is it fair to say that,</p> <p>24 because they're not in the forecasts, you don't</p> <p>25 have an opinion on the likelihood of revenue that</p>	<p style="text-align: right;">Page 119</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 United States could impact the City over the next</p> <p>3 ten years, correct?</p> <p>4 A. It could.</p> <p>5 Q. Did you conduct a separate analysis</p> <p>6 of that question?</p> <p>7 A. No.</p> <p>8 Q. What kinds of information were you</p> <p>9 unable to examine regarding the forecasts?</p> <p>10 A. I -- the -- the exhibit here of what</p> <p>11 the open requests I was not able, I obviously</p> <p>12 haven't -- they're still open requests, so I</p> <p>13 haven't looked at that.</p> <p>14 Q. Anything else other than that that</p> <p>15 was something that you would have liked to have</p> <p>16 had but you didn't?</p> <p>17 A. Not that I'm recalling.</p> <p>18 Q. What about information regarding</p> <p>19 grants? Did you undertake an assessment of what</p> <p>20 grants the City is or is not likely to get in the</p> <p>21 future?</p> <p>22 A. Only as it relates to the</p> <p>23 departmental reviews, not a broad review of grants</p> <p>24 that are available that it doesn't apply for, no.</p> <p>25 Q. What are the assumptions that area in</p>
<p style="text-align: right;">Page 118</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 will arise from asset sales in the future?</p> <p>3 A. That's correct.</p> <p>4 Q. Okay. What are the uncertainties</p> <p>5 that exist over the next ten years that could</p> <p>6 impact the forecasts?</p> <p>7 A. I think we went through them, right,</p> <p>8 in the report? The risk and opportunity.</p> <p>9 Q. So, yeah -- to the -- to the extent</p> <p>10 there are uncertainties, if I want to know what</p> <p>11 your view on that is, I should read your report?</p> <p>12 A. You should. And it's the section on</p> <p>13 risk and opportunity.</p> <p>14 Q. Do you agree that changes to the law</p> <p>15 is an uncertainty that could impact the forecast?</p> <p>16 A. Changes to what law?</p> <p>17 Q. Any law.</p> <p>18 A. That impacts the City? It could.</p> <p>19 Q. Changes to the tax law could</p> <p>20 certainly impact the forecast?</p> <p>21 A. Yes.</p> <p>22 Q. Did you study the likelihood of</p> <p>23 changes to tax law?</p> <p>24 A. Generally, no.</p> <p>25 Q. The macroeconomic condition of the</p>	<p style="text-align: right;">Page 120</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the forecasts regarding what grants the City will</p> <p>3 get?</p> <p>4 A. It -- again, there's an exhibit in</p> <p>5 here that identifies the grants and the totality</p> <p>6 of the grants, but they -- they're fire and</p> <p>7 safety, public safety and transportation</p> <p>8 primarily.</p> <p>9 Q. And did you undertake any assessment</p> <p>10 of the likelihood that they would get those</p> <p>11 grants?</p> <p>12 A. No, I mean in terms of -- no. I mean</p> <p>13 there -- I assumed -- I looked at the grants that</p> <p>14 they're assuming they're going to get and I agreed</p> <p>15 that it looks like they're going to get those</p> <p>16 grants.</p> <p>17 Q. On what basis?</p> <p>18 A. On the fact that they've applied for</p> <p>19 those, like the SAFER grants for the fire</p> <p>20 department, those sort of things.</p> <p>21 Q. So the extent of your confirmation</p> <p>22 was to confirm that they had, in fact, applied for</p> <p>23 the grants?</p> <p>24 A. No. My -- my analysis of that was to</p> <p>25 get comfortable that the grants that were in the</p>

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<p style="text-align: right;">Page 121</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 forecasts were likely and reasonable, not --</p> <p>3 again, my job was not to look for more grants,</p> <p>4 right? That's not what I'm doing. I'm not</p> <p>5 looking for more.</p> <p>6 I'm just looking to see that the</p> <p>7 grant funding that's in the plan appears</p> <p>8 reasonable based on where they are today and the</p> <p>9 kinds of programs that they're engaged in. That</p> <p>10 was it.</p> <p>11 Q. How did you do that?</p> <p>12 A. By talking to the people involved in</p> <p>13 grants.</p> <p>14 Q. Okay. So let's say that the City has</p> <p>15 applied for a grant from the federal government</p> <p>16 for fire equipment. Hypothetical, okay? So</p> <p>17 \$10 million grant.</p> <p>18 A. Uh-huh.</p> <p>19 Q. Okay. What work did you do to test</p> <p>20 whether they'll get that grant or not?</p> <p>21 A. Really only discussions with fire</p> <p>22 department.</p> <p>23 Q. So if the fire department said we'll</p> <p>24 probably get it, that was sufficient for you to</p> <p>25 conclude this is a reasonable assumption?</p>	<p style="text-align: right;">Page 123</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Now, when you were retained, it was</p> <p>3 about a week after there had been a lot of</p> <p>4 announcements about agreements that the City had</p> <p>5 struck with certain retiree associations. I'll</p> <p>6 represent to you that, I remember well, came about</p> <p>7 in mid-April okay.</p> <p>8 I don't -- do you generally remember</p> <p>9 when you were being appointed that you were coming</p> <p>10 in at a time when the City had just announced a</p> <p>11 less steep cut to pensions and seemed to have some</p> <p>12 level of consensus from some of the retiree</p> <p>13 parties. Do you remember as a general concept?</p> <p>14 A. I really don't --</p> <p>15 Q. Okay.</p> <p>16 A. -- because I was not -- I had very</p> <p>17 little knowledge of what was going on in the</p> <p>18 bankruptcy before April 15th or whatever that was.</p> <p>19 Q. No, I understand that. I meant more</p> <p>20 as you're appointed and you start to get up to</p> <p>21 speed do you remember having a recognition that</p> <p>22 the City had just struck certain agreements with</p> <p>23 the retiree associations?</p> <p>24 A. I remember that they had -- that</p> <p>25 those settlements were -- were being reached, yes.</p>
<p style="text-align: right;">Page 122</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. KANE: Wait for him to stop</p> <p>3 asking the question before you start</p> <p>4 answering.</p> <p>5 THE WITNESS: Right. Yeah. Right.</p> <p>6 BY MR. HACKNEY:</p> <p>7 Q. Okay. And you didn't assess the</p> <p>8 likelihood that the City could get incremental</p> <p>9 grants, correct?</p> <p>10 A. Correct.</p> <p>11 Q. Do you know whether all the grants</p> <p>12 that the City gets are in the forecasts in the</p> <p>13 plan?</p> <p>14 A. I do not know that.</p> <p>15 Q. And have you taken any efforts to</p> <p>16 study the City charter?</p> <p>17 A. No.</p> <p>18 Q. Ever -- okay. I take it you haven't</p> <p>19 undertaken an assessment of the extent to which</p> <p>20 the current structure of the city charter will</p> <p>21 impact the feasibility of the City?</p> <p>22 A. Generally, no.</p> <p>23 Q. I'm generally correct when I say</p> <p>24 that?</p> <p>25 A. That's correct.</p>	<p style="text-align: right;">Page 124</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And you know that the plan that you</p> <p>3 were studying was one that called for</p> <p>4 4 1/2 percent cuts to base pensions on the GRS</p> <p>5 side and zero percent cuts to pensions on the PFRS</p> <p>6 side, putting COLA to one side?</p> <p>7 MR. KANE: At what point?</p> <p>8 THE WITNESS: I don't/I don't</p> <p>9 specifically remember that.</p> <p>10 BY MR. HACKNEY:</p> <p>11 Q. Okay. So --</p> <p>12 A. Okay?</p> <p>13 Q. -- you don't remember -- well, you</p> <p>14 agree that those are the cuts in the current plan?</p> <p>15 A. The cuts in the current plan are</p> <p>16 4 1/2 percent on the base to GRS, NO cut on the</p> <p>17 base to PFRS. COLA cuts on the PFRS side and Cola</p> <p>18 cuts ON the GRS side.</p> <p>19 Q. Right. That's the plan that --</p> <p>20 that's the current plan.</p> <p>21 A. That's the frozen old plan generally.</p> <p>22 Q. Do you -- do you remember studying a</p> <p>23 plan that ever had different cuts?</p> <p>24 A. I don't.</p> <p>25 Q. Are you aware that the plan that was</p>

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<p style="text-align: right;">Page 125</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 initially filed in February, two months before</p> <p>3 your appointment, called for steeper cuts than are</p> <p>4 in the current plan?</p> <p>5 A. I -- I have no recollection of that.</p> <p>6 Q. So, just as you sit here today you're</p> <p>7 not generally aware of the fact that the City</p> <p>8 reduced the pension cuts significantly between the</p> <p>9 first -- reduced the pension cuts between the</p> <p>10 first plan and the plan that's on file?</p> <p>11 A. No. I -- when I got appointed,</p> <p>12 right, the -- was the day before I went I think</p> <p>13 for my interview with the Judge, the fourth plan</p> <p>14 got filed and, at that point, I didn't look at</p> <p>15 anything other than the fourth plan going forward.</p> <p>16 So I just -- I don't have any --</p> <p>17 Q. I see.</p> <p>18 A. I don't have any recollection.</p> <p>19 Q. So -- okay. Let me ask it then as a</p> <p>20 hypothetical. Okay?</p> <p>21 A. Okay.</p> <p>22 Q. If the prior plans included steeper</p> <p>23 cuts to pensions than the current plan --</p> <p>24 A. Okay.</p> <p>25 Q. -- from your standpoint, that would</p>	<p style="text-align: right;">Page 127</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 any of the settlements would, would reduce the</p> <p>3 amount of cash the City has to pay to somebody,</p> <p>4 I'm going to think that improves the feasibility.</p> <p>5 Q. Understood. I wasn't trying to trap</p> <p>6 you into a notion where, you know, if you cut</p> <p>7 pensions more, but then you give the savings and</p> <p>8 more to someone else?</p> <p>9 A. Right.</p> <p>10 Q. I was saying all things being equal,</p> <p>11 the steeper the cuts to the pensions, the more</p> <p>12 feasible the City would become from a financial</p> <p>13 standpoint?</p> <p>14 A. And again, I just have conceptually a</p> <p>15 hard time isolating a single action around, you</p> <p>16 know, what you're trying -- to get. It sounds to</p> <p>17 me like you're trying to get me into the best</p> <p>18 interest of creditors and I'm just not going</p> <p>19 there.</p> <p>20 Q. No. I'm trying to assess your own</p> <p>21 definitions of feasibility.</p> <p>22 A. Yes.</p> <p>23 Q. Which you admit is on a continuum,</p> <p>24 correct?</p> <p>25 A. It is on A continuum.</p>
<p style="text-align: right;">Page 126</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 increase the likelihood that the prior plans, all</p> <p>3 things being equal, were feasible, correct?</p> <p>4 Because it would make the City's ability to comply</p> <p>5 with the plan a lower bar?</p> <p>6 MR. ALBERTS: Objection.</p> <p>7 THE WITNESS: More cash available</p> <p>8 improves feasibility.</p> <p>9 BY MR. HACKNEY:</p> <p>10 Q. If steeper cuts to pensions increases</p> <p>11 the amount of cash that's available, steeper cuts</p> <p>12 to pensions makes the plan more feasible. Do you</p> <p>13 agree?</p> <p>14 A. I'm not sure if it's -- that's it's</p> <p>15 if P then Q, and you're saying Q therefore P. I'm</p> <p>16 not sure that -- that you can do that, right?</p> <p>17 Q. Why not?</p> <p>18 A. Well, because again, it's -- it's the</p> <p>19 totality of the cash that's available. So would I</p> <p>20 like to have -- again, I have been very clear in</p> <p>21 my report. I'm being very clear today.</p> <p>22 I would like to see more cash that's</p> <p>23 not committed to somebody or something available</p> <p>24 in this plan to provide cushion for variabilities</p> <p>25 that are necessarily going to happen. So if -- if</p>	<p style="text-align: right;">Page 128</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So feasibility isn't just a magical</p> <p>3 point on the spectrum, right?</p> <p>4 A. Right. It's a hurdle.</p> <p>5 Q. It's a --</p> <p>6 A. You got to get over the hurdle of</p> <p>7 feasibility and then it's a continuum.</p> <p>8 Q. And the hurdle is the obligations</p> <p>9 imposed on the City under the plan, right?</p> <p>10 A. Yes.</p> <p>11 Q. The lower those obligations, the</p> <p>12 lower the hurdle. Do you agree with that?</p> <p>13 A. All other things equal, yes.</p> <p>14 Q. Have you ever seen another</p> <p>15 municipality do a ten-year forecast?</p> <p>16 A. I have, but, again, not -- generally,</p> <p>17 it's around long-term financing in terms of -- it</p> <p>18 tends not to be a full-blown revenues and</p> <p>19 expenses. It tends to look at certain kinds of</p> <p>20 long-term obligations or long-term revenue</p> <p>21 sources, yes.</p> <p>22 Q. Have you ever seen another</p> <p>23 municipality do a comprehensive general fund</p> <p>24 forecast over a ten-year period?</p> <p>25 A. I have not.</p>

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<p style="text-align: right;">Page 129</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Have you ever seen another</p> <p>3 municipality do a comprehensive general fund</p> <p>4 forecast over a 40-year period -- a gen --</p> <p>5 comprehensive general fund forecast over a 40-year</p> <p>6 period?</p> <p>7 A. Forty years.</p> <p>8 Q. Yeah.</p> <p>9 A. No.</p> <p>10 Q. So, the two that are in the plan, the</p> <p>11 10-year and the 40-year, are the first you've ever</p> <p>12 seen a municipality do, correct?</p> <p>13 A. That I've ever seen? Yes.</p> <p>14 Q. Have you ever seen a municipality do</p> <p>15 a forecast when it was undergoing this level of</p> <p>16 change?</p> <p>17 A. Personally? No.</p> <p>18 Q. Ma'am, have you ever been qualified</p> <p>19 in a court of law as an expert before?</p> <p>20 A. I have.</p> <p>21 Q. Okay. And tell me how many times</p> <p>22 that's happened to you?</p> <p>23 A. We should go back and look at my</p> <p>24 testimony list, right? Probably -- I don't think</p> <p>25 it's in there. I think it's in my proposal. I</p>	<p style="text-align: right;">Page 131</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 example would be valuation. Have you been</p> <p>3 qualified as an expert in valuation?</p> <p>4 A. I don't think so. I don't think so.</p> <p>5 Q. You talked about solvency.</p> <p>6 A. Yes.</p> <p>7 Q. Have you ever been qualified as an</p> <p>8 expert in whether an entity is or is not solvent?</p> <p>9 A. Yes.</p> <p>10 Q. Have you ever offered expert</p> <p>11 testimony as to whether or not a plan was</p> <p>12 feasible?</p> <p>13 A. I don't think so in terms of that</p> <p>14 narrow definition of feasibility.</p> <p>15 Q. Okay.</p> <p>16 A. Right?</p> <p>17 Q. Have you ever offered expert</p> <p>18 testimony in a Chapter 9 case?</p> <p>19 A. No. No.</p> <p>20 MR. KANE: Other than this one?</p> <p>21 BY MR. HACKNEY:</p> <p>22 Q. Other than this one -- other than</p> <p>23 today?</p> <p>24 A. Yeah.</p> <p>25 Q. Have you ever offered expert</p>
<p style="text-align: right;">Page 130</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 referenced it.</p> <p>3 MR. KANE: I've got some copies of it</p> <p>4 if you want it.</p> <p>5 BY MR. HACKNEY:</p> <p>6 Q. Okay. I missed that.</p> <p>7 A. Yeah. More than two, probably less</p> <p>8 than five, ten. Something like that.</p> <p>9 Q. Okay. So that means that's where a</p> <p>10 Court has said Ms. Kopacz is an expert and I'm</p> <p>11 going to allow her to testify on Subject X?</p> <p>12 A. Right.</p> <p>13 Q. And it's somewhere between two and</p> <p>14 five?</p> <p>15 A. That's what I'm thinking.</p> <p>16 Q. What were the subjects of your</p> <p>17 testimony?</p> <p>18 A. Generally, it's all been insolvency</p> <p>19 and restructuring oriented. So whether or not,</p> <p>20 you know, an entity was solvent or insolvent.</p> <p>21 Whether or not -- it's all -- I mean, my career</p> <p>22 has been spent in restructuring, so it's all in</p> <p>23 that context.</p> <p>24 Q. A very typical restructuring expert</p> <p>25 testimonies that I come across in my practice, an</p>	<p style="text-align: right;">Page 132</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 testimony on whether a plan satisfies the best</p> <p>3 interests of creditors test?</p> <p>4 A. No.</p> <p>5 Q. Other than expert testimony on</p> <p>6 insolvency, do you remember any -- any other areas</p> <p>7 where you testified as an expert?</p> <p>8 A. Yes. And I have testified -- I have</p> <p>9 testified on behalf of clients in a variety of</p> <p>10 bankruptcy hearings and confirmation hearings and</p> <p>11 I -- to be honest with you, I don't really know if</p> <p>12 that's expert or fact or some sort of mix of the</p> <p>13 two. All right? I -- very few times in my career</p> <p>14 have I been hired exclusively as an expert. I've</p> <p>15 generally been the financial advisor, the chief</p> <p>16 restructuring officer or had some other role</p> <p>17 before I got to the witness stand.</p> <p>18 Q. And it does create some complexity</p> <p>19 because sometimes an FA will be a witness to facts</p> <p>20 that happen in the bankruptcy.</p> <p>21 A. Yes.</p> <p>22 Q. And then they will also have the</p> <p>23 expertise to render opinions, as we lawyers think</p> <p>24 of them, in connection with their testimony. So I</p> <p>25 under -- understand what I think you're alluding</p>

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<p style="text-align: right;">Page 133</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 to, which is it can sometimes be hard to</p> <p>3 distinguish. Is that what you're saying?</p> <p>4 A. It is. And -- and I've -- like I</p> <p>5 said, I've testified on projections and</p> <p>6 reasonableness and solvency and ordinary course</p> <p>7 and -- all that.</p> <p>8 Q. Have you ever worked in connection</p> <p>9 with a Chapter 9 bankruptcy other than this one?</p> <p>10 A. No.</p> <p>11 Q. Just to tie it up, have you testified</p> <p>12 as an expert in a deposition or at trial in the</p> <p>13 last four years?</p> <p>14 A. Live testimony?</p> <p>15 Q. Yup.</p> <p>16 A. Yup, the answer to that --</p> <p>17 Q. I don't want to dead ones.</p> <p>18 A. -- the answer is no. Okay? There</p> <p>19 are --</p> <p>20 Q. Well, I guess you could do</p> <p>21 depositions on written questions I guess, if</p> <p>22 that's what you meant.</p> <p>23 MR. KANE: Are you done answering?</p> <p>24 THE WITNESS: I am done answering.</p> <p>25 BY MR. HACKNEY:</p>	<p style="text-align: right;">Page 135</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 THE WITNESS: Yes.</p> <p>3 BY MR. HACKNEY:</p> <p>4 Q. So, Ms. Kopacz, you have an</p> <p>5 impressive record in the restructuring industry.</p> <p>6 I've spent a lot time on the Internet reading it.</p> <p>7 I won't go into all of your different</p> <p>8 experiences just other than to say I was impressed</p> <p>9 by them; But I do want to sort of clarify the</p> <p>10 boundaries of your expertise so that we know where</p> <p>11 you are holding yourself out as an expert and</p> <p>12 where you're not. Okay?</p> <p>13 You are not an actuary, correct?</p> <p>14 A. I am not.</p> <p>15 Q. And you don't hold yourself out as an</p> <p>16 expert in actuarial science, correct?</p> <p>17 A. Correct.</p> <p>18 Q. You are not offering opinions as to</p> <p>19 what the appropriate discount rate is or assets or</p> <p>20 liabilities of a pension system, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. Now, you are not an economist,</p> <p>23 correct?</p> <p>24 A. That is correct.</p> <p>25 Q. And you are not holding yourself out</p>
<p style="text-align: right;">Page 134</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So you've not testified, to the best</p> <p>3 of your recollection, as an expert in a deposition</p> <p>4 or at trial in the last four years, correct?</p> <p>5 A. That's correct -- I -- that's</p> <p>6 correct. I'm thinking hard.</p> <p>7 Q. Okay. Maybe I'll just ask to confirm</p> <p>8 that the report doesn't identify any and so I</p> <p>9 assumed that there weren't any, but maybe just to</p> <p>10 confirm to be safe.</p> <p>11 MR. KANE: I've got the application</p> <p>12 that's of record in the -- the court case</p> <p>13 already that includes expert testimony</p> <p>14 experience, so I can get that at a break</p> <p>15 either now or later. But it was already of</p> <p>16 record.</p> <p>17 MR. HACKNEY: It's not urgent. If --</p> <p>18 I don't know if you remembered whether there</p> <p>19 was one in the last four, but it --</p> <p>20 MR. KANE: To be honest, I don't</p> <p>21 remember.</p> <p>22 MR. HACKNEY: -- you're saying it</p> <p>23 would be there. Yeah.</p> <p>24 MR. KANE: It would be there.</p> <p>25 MR. HACKNEY: That's fine.</p>	<p style="text-align: right;">Page 136</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 as an expert in economics, correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And you are not opining on the</p> <p>5 macroeconomic factors that are or are not likely</p> <p>6 to impact the City of Detroit in future years,</p> <p>7 correct?</p> <p>8 A. That's correct.</p> <p>9 Q. You are not a statistician, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. I think when you ask someone if</p> <p>12 they're a statistician that every single person is</p> <p>13 happy to say that they're not, other than</p> <p>14 statisticians.</p> <p>15 MR. KANE: Other than baseball.</p> <p>16 MR. HACKNEY: Well, and we won't get</p> <p>17 started on that. Maybe now she's going to</p> <p>18 say that she is. You might be an expert on</p> <p>19 baseball statistics.</p> <p>20 BY MR. HACKNEY:</p> <p>21 Q. You don't hold yourself out as an</p> <p>22 expert in statistics, correct?</p> <p>23 A. I do not.</p> <p>24 Q. You have not conducted statistical</p> <p>25 analysis of the forecasts to determine, for</p>

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<p style="text-align: right;">Page 137</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 example, whether they fall outside the standard of</p> <p>3 deviation for mean analysis, correct?</p> <p>4 A. I have not attempted to calculate a</p> <p>5 standard deviation for the forecasts; that is</p> <p>6 correct.</p> <p>7 Q. And you have not applied statistical</p> <p>8 science to the forecasts?</p> <p>9 A. That's correct.</p> <p>10 Q. Now, you are not a real property</p> <p>11 appraiser, correct?</p> <p>12 A. That's correct.</p> <p>13 Q. And you don't hold yourself out as an</p> <p>14 expert in property appraisal, correct?</p> <p>15 A. That's correct.</p> <p>16 Q. You have not conducted any studies to</p> <p>17 determine the reasonableness of the City's</p> <p>18 property tax appraisals, correct?</p> <p>19 A. Correct.</p> <p>20 Q. Do you agree that the assessed value</p> <p>21 of the City's property tax base is an important</p> <p>22 consideration to any analysis of property tax</p> <p>23 revenues?</p> <p>24 A. Repeat -- say that again.</p> <p>25 Q. You bet.</p>	<p style="text-align: right;">Page 139</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. It is.</p> <p>3 Q. So it's just a horrible thing all</p> <p>4 around. But the -- the assessed value is</p> <p>5 important to forecast of property tax revenue</p> <p>6 because it represents the base against which the</p> <p>7 millage rate is applied against which the</p> <p>8 collection rate is applied from which you get an</p> <p>9 understanding of what property tax revenues may</p> <p>10 be.</p> <p>11 A. That is correct. I agree with that.</p> <p>12 Q. Okay. Now, you interviewed</p> <p>13 Mr. Evanko the City's assessor; isn't that right?</p> <p>14 A. I did not. One of the members of my</p> <p>15 team did.</p> <p>16 Q. So you have not had a chance to speak</p> <p>17 with him?</p> <p>18 A. I did not.</p> <p>19 Q. Who did?</p> <p>20 A. We'd have to go back on the contact</p> <p>21 log.</p> <p>22 Q. Okay.</p> <p>23 A. To know who all was present in that</p> <p>24 meeting.</p> <p>25 Q. And by "speak with," I meant even on</p>
<p style="text-align: right;">Page 138</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Do you agree that the assessed value</p> <p>3 of the City's property tax base is a key</p> <p>4 consideration to any analysis of property tax</p> <p>5 revenue?</p> <p>6 A. I -- yes, in the sense that you need</p> <p>7 to know what the assessed value is.</p> <p>8 Q. And also, what it's likely to be in</p> <p>9 the future, right?</p> <p>10 A. You have to make an assumption around</p> <p>11 it, yes.</p> <p>12 Q. Yeah. Because the assessed -- do you</p> <p>13 understand the nomenclature difference between</p> <p>14 "assessed value" and "taxable value" in Michigan?</p> <p>15 A. A little bit.</p> <p>16 Q. Okay. There are differences between</p> <p>17 the two terms.</p> <p>18 A. Yes.</p> <p>19 Q. I'd like to find a way to not get</p> <p>20 caught up in them, so maybe I'll --</p> <p>21 A. Why don't we just say property</p> <p>22 values?</p> <p>23 Q. Yeah. Yeah. At a general level, the</p> <p>24 property value's actually itself is a different</p> <p>25 term from assessed value.</p>	<p style="text-align: right;">Page 140</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the phone.</p> <p>3 A. I have not spoken with him, no.</p> <p>4 Q. Did you e-mail with him?</p> <p>5 A. I did not.</p> <p>6 Q. What did your team tell you about</p> <p>7 what Mr. Evanko thought?</p> <p>8 MR. KANE: About what?</p> <p>9 THE WITNESS: About what?</p> <p>10 BY MR. HACKNEY:</p> <p>11 Q. Anything. I will make a loose</p> <p>12 prediction that it related to property tax</p> <p>13 assessments, but I don't mean to limit my</p> <p>14 question. I'm looking for my team -- my guys</p> <p>15 talked to Evanko and they came back and told me X.</p> <p>16 A. They thought he was very capable.</p> <p>17 Q. Yeah. Okay. Did they tell you what</p> <p>18 he thought about future property tax valuation --</p> <p>19 property -- future assessed property values in the</p> <p>20 City?</p> <p>21 A. I'm not real -- I'm not recalling a</p> <p>22 conversation that I had with my team on that</p> <p>23 specifically.</p> <p>24 Q. Do you understand that property tax</p> <p>25 assessed values are equalized within a</p>

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<p style="text-align: right;">Page 141</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 jurisdiction?  3 A. Yes.  4 Q. And then do you understand that that  5 jurisdiction's property tax values are then  6 equalized with other jurisdictions?  7 A. When you mean "other jurisdictions"?  8 Q. Meaning other jurisdictions outside  9 that city -- that municipality. Do you understand  10 that there are multiple levels of equalization as  11 you go up towards the state level?  12 A. I'm not sure I'm aware of that  13 process outside of Detroit.  14 Q. Okay.  15 A. Okay?  16 Q. Are you aware of that process to the  17 extent it relates to Detroit? Meaning -- let me  18 ask it another way.  19 Do you know that the tax roll in the  20 City ultimately goes through an entity at Wayne  21 County that then looks at the City's tax roll and  22 looks at other municipalities and then determines  23 an equalization factor to determine whether the  24 City of Detroit is over or under-assessed compared  25 to other municipalities?</p>	<p style="text-align: right;">Page 143</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 Q. And you're not holding yourself out  3 as an urban planning expert, correct?  4 A. That's correct.  5 Q. You're not opining on whether or not  6 the restructuring and reinvestment initiatives  7 involve the an application of urban planning  8 disciplines to the City of Detroit, correct?  9 A. Correct.  10 Q. What are the key variables when it  11 comes to assessing future income tax revenue for  12 the City of Detroit?  13 A. For the City of Detroit? It occur --  14 it occurs at three levels. There's a rate for  15 residents, a rate for nonresidents and a rate for  16 businesses.  17 Q. And so within those levels, what are  18 the key variables that you have to study?  19 A. We have to look at for -- for the  20 people, for the residents and the nonresidents, we  21 have to look at the number of people employed and  22 what the wage rates are. Okay? For the  23 corporations, it's -- it's corporate income.  24 Q. So you look at the number of people  25 that are working, average wage or income levels?</p>
<p style="text-align: right;">Page 142</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 A. Generally, yes. Specifically, no.  3 Q. Okay. Meaning you have a general  4 sense that that happens, but you don't have a  5 specific understanding?  6 A. I don't know how it does it.  7 MR. KANE: Wait for him -- wait for  8 him to stop asking a question before you  9 start answering.  10 MR. HACKNEY: That's okay. It's  11 mainly for her benefit, so that she can go  12 one and one.  13 MR. KANE: And your benefit to make  14 sure you know what the question fully is.  15 BY MR. HACKNEY:  16 Q. And do you know what an equalization  17 factor of 1.0 means?  18 A. I do not.  19 Q. Do you know what Detroit's  20 equalization factor was over the prior 15 years?  21 A. I do not.  22 Q. Okay. You are also not trained in  23 the social science of urban planning; is that  24 correct?  25 A. That's correct.</p>	<p style="text-align: right;">Page 144</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 A. Correct.  3 Q. And then the tax rate, correct?  4 A. Correct.  5 Q. And then you also have to assess the  6 rate of collection, correct?  7 A. Yes.  8 Q. Any other variables that you can  9 think of that go into forecasting future income  10 tax revenues other than those?  11 A. No. That just they're slightly  12 different for the corporations.  13 Q. Understood. Understood.  14 Now, let's take something like  15 average income data, which I think is -- is  16 presented as a -- as a different concept from wage  17 data in the forecasts, correct?  18 A. We're going to need to --  19 Q. Take a look?  20 A. Yeah.  21 Q. Okay. Let me -- let's take a step  22 back and look -- think of the concept of income in  23 a broad way that includes salaries or wages.  24 Okay? I might be mistaken.  25 You haven't independently assessed</p>

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<p style="text-align: right;">Page 145</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the average income data for the City of Detroit,</p> <p>3 correct?</p> <p>4 A. That's correct.</p> <p>5 Q. Okay. You relied on data that was</p> <p>6 given to you by Ernst &amp; Young?</p> <p>7 A. That's correct.</p> <p>8 Q. Okay. And you haven't taken steps to</p> <p>9 assess the accuracy of that data, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. And with respect to the level of</p> <p>12 unemployment in the City, you also relied on data</p> <p>13 that was given to you by Ernst &amp; Young, correct?</p> <p>14 A. Yes.</p> <p>15 Q. But you did not attempt to</p> <p>16 independently verify that data --</p> <p>17 A. I'm not --</p> <p>18 Q. -- correct?</p> <p>19 A. -- sure. I'm not sure what</p> <p>20 independent information we had on employment -- on</p> <p>21 unemployment.</p> <p>22 Q. Okay. You may have. You may not</p> <p>23 have. You just don't know?</p> <p>24 A. Yes.</p> <p>25 Q. Is it true that unemployment in the</p>	<p style="text-align: right;">Page 147</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 if he wants you to look for the specific</p> <p>3 page.</p> <p>4 MR. HACKNEY: Yeah, that's okay.</p> <p>5 THE WITNESS: Yeah. No.</p> <p>6 BY MR. HACKNEY:</p> <p>7 Q. I am correct when I say that, right?</p> <p>8 A. Correct.</p> <p>9 Q. And you also did not conduct any</p> <p>10 sensitivity analysis around casino gaming revenue,</p> <p>11 correct?</p> <p>12 A. Whatever's in here is what we did.</p> <p>13 Q. Okay. So if you did sensitivity</p> <p>14 analysis, it's in your report, correct?</p> <p>15 A. That's correct.</p> <p>16 Q. If it's not in your report, it's</p> <p>17 because you didn't do it?</p> <p>18 A. That's correct.</p> <p>19 Q. What is the utility user's tax?</p> <p>20 A. It is a tax that the City of Detroit</p> <p>21 assesses on telephone, cable, utility charges to</p> <p>22 residents in Detroit.</p> <p>23 Q. Now, when it came to historical data</p> <p>24 about utility user tax revenues, you relied on</p> <p>25 what was given to you by Ernst &amp; Young; is that</p>
<p style="text-align: right;">Page 146</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 City of Detroit bottomed out in 2010?</p> <p>3 A. I don't know that.</p> <p>4 Q. Isn't it true that year over year</p> <p>5 since 2010 unemployment has decreased?</p> <p>6 A. I don't know that.</p> <p>7 Q. Do you know how the City's current</p> <p>8 unemployment rates compare to last year's</p> <p>9 unemployment rates?</p> <p>10 A. I don't.</p> <p>11 Q. Let me ask you some questions about</p> <p>12 the wagering revenues.</p> <p>13 What is the tax rate that's applied</p> <p>14 to the wagering revenues?</p> <p>15 A. It's in my report. It's 10.95? We</p> <p>16 can look it up.</p> <p>17 Q. Did you conduct any independent</p> <p>18 analysis of the gaming market in the City of</p> <p>19 Detroit?</p> <p>20 A. I did not.</p> <p>21 Q. Okay. So you didn't do an</p> <p>22 independent study to understand, for example, the</p> <p>23 impact that the Toledo casinos will have on the</p> <p>24 casinos in the City of Detroit; is that correct?</p> <p>25 MR. KANE: He'll direct you to this</p>	<p style="text-align: right;">Page 148</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 correct?</p> <p>3 A. That's correct.</p> <p>4 Q. You did not attempt to independently</p> <p>5 assess that data, correct?</p> <p>6 A. Correct.</p> <p>7 Q. And to the extent you conducted</p> <p>8 sensitivity analysis around the utility user's</p> <p>9 tax, it will be in your report?</p> <p>10 A. We did not.</p> <p>11 Q. You did not? I --</p> <p>12 A. Did not.</p> <p>13 Q. It's not a memory test, but it's</p> <p>14 fine.</p> <p>15 Let's talk a little bit about your</p> <p>16 experience -- your personal experience forecasting</p> <p>17 municipal revenues -- or I'm sorry, doing</p> <p>18 municipal forecasts of both revenues and expenses.</p> <p>19 Okay?</p> <p>20 A. Okay.</p> <p>21 Q. So tell me about the times that</p> <p>22 you've had the opportunity to do it personally.</p> <p>23 A. I have not directly worked for a</p> <p>24 municipality in projecting revenues or expenses.</p> <p>25 Q. Okay. What do you mean by</p>

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<p style="text-align: right;">Page 149</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 "directly"? 3 A. Well, I've -- I worked extensively 4 for the Nassau County Interim Finance Authority, 5 which is the state control board that oversees the 6 finances in Nassau County here in New York. So, 7 the -- that -- that is -- again, it's not the 8 county itself. It's the control board that 9 oversees the county. 10 Q. Understood. Okay. 11 A. Right. 12 Q. Now -- so let's try and -- let's try 13 and break it down a bit. 14 You personally have never done a 15 municipal forecast, correct? 16 A. That's correct. 17 Q. You have worked with municipal 18 forecasts in connection with your work for Nassau 19 County, correct? 20 A. Correct, and other entities in 21 municipalities. 22 Q. Okay. That was my next question, 23 which is other than Nassau County, what 24 engagements have you had where you worked with a 25 municipal forecast understanding that you're not</p>	<p style="text-align: right;">Page 151</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 A. It could be -- you could generally 3 say that, but yes. 4 Q. Okay. Is it fair to say that in -- 5 in that retention you weren't studying the 6 accuracy of the forecasts. You were trying to 7 help the transit authorities improve? 8 A. No. In that situation we were 9 dealing explicitly with the revenue side of 10 transit businesses and advertising income and, you 11 know, pricing that. 12 Q. Okay. So you were trying to 13 understand the accuracy of the forecasts of the 14 transit revenue? 15 A. And the -- and the potential to 16 transit revenue. 17 Q. I see. Okay. So it was kind of a 18 mixture of trying to understand, first, whether 19 you agreed with forecast and then, second, trying 20 to understand whether doing things like 21 advertising might improve -- 22 A. No. It had to do with long-term 23 contracts for advertising revenue to those transit 24 authorities relative to the person who -- the 25 entities that had contracted with them for the</p>
<p style="text-align: right;">Page 150</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 the one who created it? 3 A. In -- I had an engagement where I've 4 been retained by seven transit authorities. 5 Q. One engage meant? 6 A. Yes, it was interesting. New York, 7 Chicago, Boston, San Francisco, Minneapolis. I'm 8 trying to think. Oh, Dallas was part of that 9 group, right. So I worked with their forecasts 10 and their budgeting and planning system. 11 Q. Oh, I see. 12 A. Right. 13 Q. And that was limited to just their 14 enterprise funds? 15 A. I -- I -- to be honest with you, I 16 don't know if they were just enterprise funds or 17 general funds, but it would have been departmental 18 level budgeting and projecting. 19 Q. Can I describe your work for those -- 20 those transit authorities as looking at their 21 operations and at the forecasts that related to 22 them and trying to understand how they could 23 improve operations in order to improve the 24 forecast? Is that a generally accurate 25 description?</p>	<p style="text-align: right;">Page 152</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 advertising revenue. 3 Q. Okay. So, we have NIFA, right, which 4 is the Nassau County -- 5 A. Yes. 6 Q. I learned all about NIFA. And then 7 we've got transit authority retention? 8 A. We've got the transit authority. 9 Q. Any other municipal retentions where 10 you've worked with a municipal forecast? 11 A. In the -- in the Legal Aid Society 12 case, because the vast majority of the Society's 13 revenue comes from New York City or New York 14 state, okay, in terms of we worked with those 15 municipal entities relative to our own budgets. 16 Q. I see. So because they get money 17 from the state -- 18 A. Right. 19 Q. -- you worked with -- 20 A. And the City and has to be 21 appropriate and legislated, yes. 22 Q. And does that mean that you worked 23 with the state and city forecasts because had you 24 to understand them in order to prepare a forecast 25 for the Legal Aid Society?</p>

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<p style="text-align: right;">Page 153</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. We had to understand what the</p> <p>3 possibility of funding was from state and the</p> <p>4 City, okay, and how the City's budget process</p> <p>5 worked and how we got appropriated our monies.</p> <p>6 Q. But in that context, you were not</p> <p>7 assessing the accuracy of either the state or city</p> <p>8 forecasts?</p> <p>9 A. That's correct.</p> <p>10 Q. Okay. And in the Nassau County</p> <p>11 retention, were you assessing the accuracy of the</p> <p>12 Nassau County forecast?</p> <p>13 A. Yes.</p> <p>14 Q. Okay. So you were -- part of your</p> <p>15 job was to evaluate the Nassau County forecast to</p> <p>16 determine whether you agreed with it?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. That's helpful.</p> <p>19 What is the methodology that a</p> <p>20 municipality typically employs when preparing a</p> <p>21 forecast for its general fund?</p> <p>22 A. I'm not sure there's a typical.</p> <p>23 Q. Okay. So, I noticed in your CV that</p> <p>24 you said one aspect of municipal -- I think you</p> <p>25 said, we can get it out, but it was something like</p>	<p style="text-align: right;">Page 155</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 like the Government Finance Officers Association.</p> <p>3 There are trade associations. There are</p> <p>4 quasi-oversight committees that -- panels and</p> <p>5 groups that are trying to promulgate a set of</p> <p>6 standards for municipalities in these areas, but</p> <p>7 there's nothing that is as uniform and</p> <p>8 acknowledged as we have with generally accepted</p> <p>9 accounting principles and the way that the SEC</p> <p>10 oversees that.</p> <p>11 Q. Okay. So have you reviewed the</p> <p>12 publications of the Government Finance Officers</p> <p>13 Association?</p> <p>14 A. I saw them.</p> <p>15 Q. Okay. It's fair to say that you</p> <p>16 didn't review them in connection with this case,</p> <p>17 correct?</p> <p>18 A. No, that's correct.</p> <p>19 Q. Okay. So, have you ever reviewed An</p> <p>20 Elected Officials Guide to Revenue Forecasting,</p> <p>21 which is a publication by the GFOA?</p> <p>22 A. I may have.</p> <p>23 Q. I'll show you what it looks like. It</p> <p>24 looks like this.</p> <p>25 A. I would probably have looked at it</p>
<p style="text-align: right;">Page 154</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 municipal accounting and budgeting is that there</p> <p>3 is no standard.</p> <p>4 A. Correct.</p> <p>5 Q. Do you remember saying that in your</p> <p>6 CV?</p> <p>7 A. Yes.</p> <p>8 Q. What did you mean by that?</p> <p>9 A. Well, there's no -- government</p> <p>10 accounting -- there's something called the</p> <p>11 Government Accounting Standards Board, okay, that</p> <p>12 would like to believe that it creates standards</p> <p>13 analogous to generally accepted accounting</p> <p>14 principles. But there is a great deal of</p> <p>15 variability in what the GASB prescribes in terms</p> <p>16 of municipal accounting procedures, right? And</p> <p>17 there is no standard for budgets. Okay? There is</p> <p>18 no accounting standard that covers budgets.</p> <p>19 Accounting covers historical recording of revenues</p> <p>20 and expenses.</p> <p>21 Q. So, you're not aware, as you sit here</p> <p>22 today, of any either government agencies or -- or</p> <p>23 associations that have promulgated methodologies</p> <p>24 for forecasting municipal revenues?</p> <p>25 A. There are. Okay? Either it's things</p>	<p style="text-align: right;">Page 156</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 online. I would probably not have looked at it in</p> <p>3 a hard copy like that.</p> <p>4 Q. It's fair to say you didn't rely on</p> <p>5 it though, correct?</p> <p>6 A. I did not.</p> <p>7 Q. Have you ever seen this book?</p> <p>8 Revenue Analysis and Forecasting. It's by Barry</p> <p>9 Blom and Salomon -- Barry Blom and Salomon</p> <p>10 Guajardo?</p> <p>11 A. No. That I know I have not seen.</p> <p>12 Q. Okay. Do you know what the different</p> <p>13 types of qualitative forecasting methods are that</p> <p>14 are specified by the GFOA?</p> <p>15 A. Not off the top of my head, no.</p> <p>16 Q. And do you know what the quantitative</p> <p>17 methodologies are that the GFOA specifies?</p> <p>18 A. Not off the top of my head, no.</p> <p>19 Q. So, for example, do you know what</p> <p>20 naive forecasting is? I didn't make that up?</p> <p>21 A. You didn't make that up?</p> <p>22 Q. No.</p> <p>23 A. No.</p> <p>24 Q. Okay. Do you know what Delphi</p> <p>25 forecasting is?</p>

39 (Pages 153 to 156)



<p style="text-align: right;">Page 157</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. No.</p> <p>3 Q. What about judgmental forecasting?</p> <p>4 A. No.</p> <p>5 Q. Consensus forecasting, do you know</p> <p>6 what that is?</p> <p>7 A. Consensus generally means that</p> <p>8 everybody agrees on It. It's -- it's the way that</p> <p>9 Michigan does its revenue forecasting and Detroit</p> <p>10 does it.</p> <p>11 Q. That's using multiple people to check</p> <p>12 one another, correct?</p> <p>13 A. Yes.</p> <p>14 Q. And then do you know what expert</p> <p>15 forecasting is in the qualitative context?</p> <p>16 A. No.</p> <p>17 Q. Fair to say that you have never</p> <p>18 consciously applied these methodologies in your</p> <p>19 own forecasting work?</p> <p>20 A. That's correct.</p> <p>21 Q. And you did not in connection with</p> <p>22 the City's forecasting?</p> <p>23 A. That's correct.</p> <p>24 Q. Now, let me ask you some questions</p> <p>25 about the -- the quantitative types.</p>	<p style="text-align: right;">Page 159</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. To -- when you say I'm not aware of</p> <p>3 someone doing it, your expectation is that it</p> <p>4 wasn't done?</p> <p>5 A. That's correct.</p> <p>6 Q. Okay. And similarly, have you ever</p> <p>7 heard of regression analysis?</p> <p>8 A. Yes.</p> <p>9 Q. You didn't perform any regression</p> <p>10 analysis with respect to the City forecasts?</p> <p>11 A. That's correct.</p> <p>12 Q. And to the best of your knowledge,</p> <p>13 neither did the City, correct?</p> <p>14 A. Not that I'm aware of.</p> <p>15 Q. Okay. Are you aware of -- of what's</p> <p>16 called a time series forecast?</p> <p>17 A. Yes.</p> <p>18 Q. You didn't perform any time series</p> <p>19 analysis of the City's forecast, correct?</p> <p>20 A. That's correct.</p> <p>21 Q. And to the best of your knowledge,</p> <p>22 neither did the City?</p> <p>23 A. Not that I'm aware of.</p> <p>24 Q. Okay. And then you're aware of a</p> <p>25 concept of trend analysis, correct?</p>
<p style="text-align: right;">Page 158</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Have you ever heard of econometric</p> <p>3 forecasting?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. You did not perform any</p> <p>6 econometric forecasting, correct?</p> <p>7 A. That's right.</p> <p>8 Q. Neither did the City, right?</p> <p>9 A. I'm not going to answer for the City.</p> <p>10 Q. Oh, you don't know whether they did</p> <p>11 or they didn't?</p> <p>12 A. I'm not -- again, I didn't do any,</p> <p>13 but I didn't -- I haven't seen any, so...</p> <p>14 Q. Sorry. Maybe I'm not asking my</p> <p>15 question the right way.</p> <p>16 In connection with the City's</p> <p>17 forecasts, you're unaware of anyone associated</p> <p>18 with the City performing an econometric forecast?</p> <p>19 A. Like I said, I'm not aware of it, but</p> <p>20 I don't know.</p> <p>21 Q. Okay. So I'm not trying to -- I'm</p> <p>22 not trying to sharp shoot you, but one of your</p> <p>23 jobs here was to understand everything about the</p> <p>24 forecasts, so --</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 160</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. You didn't perform trend analysis</p> <p>4 with respect to the City's forecasts?</p> <p>5 A. That I would say we did.</p> <p>6 Q. Okay. That is something you would</p> <p>7 say that you did do?</p> <p>8 A. Yes.</p> <p>9 Q. And did the City do that?</p> <p>10 A. I believe the City did that.</p> <p>11 Q. Okay. Now, have you reviewed the</p> <p>12 National Advisory Council on State and Local</p> <p>13 Budgeting and their publications?</p> <p>14 A. I have not.</p> <p>15 Q. Do you agree that forecasting is a</p> <p>16 highly subjective area?</p> <p>17 A. Yes.</p> <p>18 Q. And, as such, it's subject to the</p> <p>19 biases of the person doing the forecast, correct?</p> <p>20 A. Yes. And -- and -- but I would</p> <p>21 qualify biases as neither good nor bad.</p> <p>22 Q. Understood. It's not a -- it's not</p> <p>23 meant to be a negative word like -- like racial</p> <p>24 bias.</p> <p>25 A. Right.</p>

40 (Pages 157 to 160)

<p style="text-align: right;">Page 161</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. It's meant to be a word that says</p> <p>3 your own personal viewpoint can have an impact on</p> <p>4 your forecast?</p> <p>5 A. That's correct. I agree with that.</p> <p>6 Q. And do you -- as a restructuring</p> <p>7 professional, do you understand the idea that the</p> <p>8 City here has an incentive to have a very</p> <p>9 conservative forecast?</p> <p>10 MR. KANE: Objection. You can</p> <p>11 answer.</p> <p>12 THE WITNESS: I --</p> <p>13 BY MR. HACKNEY:</p> <p>14 Q. Thinking about it from the stand --</p> <p>15 just as a restructuring professional and drawing</p> <p>16 on your experience, do you understand the general</p> <p>17 concept that the City has an incentive to have a</p> <p>18 conservative forecast because then it can say to</p> <p>19 creditors, I have nothing more to give you, but if</p> <p>20 it does better than the forecast, it will have</p> <p>21 more cushion later.</p> <p>22 MR. STEWART: Objection.</p> <p>23 THE WITNESS: I'm struggling --</p> <p>24 MR. STEWART: Did you get my</p> <p>25 objection to the question?</p>	<p style="text-align: right;">Page 163</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 record. This is the beginning of Disk</p> <p>3 Number 3.</p> <p>4 BY MR. HACKNEY:</p> <p>5 Q. Ms. Kopacz, welcome back.</p> <p>6 A. Thank you.</p> <p>7 THE VIDEOGRAPHER: Do you have your</p> <p>8 microphone on?</p> <p>9 MR. HACKNEY: I don't. Neither of us</p> <p>10 do.</p> <p>11 MR. KANE: Let the record reflect I</p> <p>12 have mine on.</p> <p>13 MR. HACKNEY: Teacher's pet.</p> <p>14 (Whereupon, a brief discussion was</p> <p>15 held off record.)</p> <p>16 BY MR. HACKNEY:</p> <p>17 Q. Okay. Ms. Kopacz, so do you agree</p> <p>18 that in order to minimize the impacts of</p> <p>19 subjectivity, it is important for a forecaster to</p> <p>20 utilize a reliable methodology?</p> <p>21 A. Never thought about it.</p> <p>22 Q. Okay. Having thought about it for</p> <p>23 the first time, do you agree?</p> <p>24 A. I don't know. I don't know.</p> <p>25 Q. How about put it this way: Do you</p>
<p style="text-align: right;">Page 162</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 THE WITNESS: I'm not under -- I'm --</p> <p>3 I'm struggling with incentive.</p> <p>4 BY MR. HACKNEY:</p> <p>5 Q. Okay. Let's turn it around then.</p> <p>6 You didn't consider or analyze what</p> <p>7 the biases of the City forecasters were, correct?</p> <p>8 A. Correct.</p> <p>9 Q. Okay.</p> <p>10 MR. HACKNEY: Ma'am, there is just</p> <p>11 five minutes left on tape, and one of the</p> <p>12 things I like to tell people is that a</p> <p>13 deposition is not akin to being stretched out</p> <p>14 on the rack. So, if you would like to take a</p> <p>15 lunch break, this could be a good time.</p> <p>16 THE WITNESS: I would like to take a</p> <p>17 break.</p> <p>18 MR. HACKNEY: Okay. Absolutely.</p> <p>19 THE VIDEOGRAPHER: Thank you. The</p> <p>20 time is now 12:17 p.m. We're off the record.</p> <p>21 This is the end of Disk Number 2.</p> <p>22 (Whereupon, a lunch break was taken</p> <p>23 from 12:17 p.m. to 1:20 p.m.)</p> <p>24 THE VIDEOGRAPHER: The time now is</p> <p>25 approximately 1:20 p.m. We're back on the</p>	<p style="text-align: right;">Page 164</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 agree that it's important for a forecaster to use</p> <p>3 a reliable methodology?</p> <p>4 A. Yes.</p> <p>5 Q. What methodology did the City use?</p> <p>6 A. I'm not understanding the question.</p> <p>7 Q. Okay. Methodology is one of those</p> <p>8 words that's kind of hard. It -- the more you try</p> <p>9 define it, the more you can roll around in it.</p> <p>10 Do you have a general understanding</p> <p>11 of the concept of a methodology?</p> <p>12 Let's try and get on common ground in</p> <p>13 terms of what the word means and then we can try</p> <p>14 and ask the questions.</p> <p>15 A. Okay.</p> <p>16 Q. So, when I talk about forecasting</p> <p>17 methodology, what does that mean to you?</p> <p>18 A. Approach.</p> <p>19 Q. Okay. Okay. And so what approach</p> <p>20 did the City utilize in compiling its forecasts?</p> <p>21 A. There's not -- I'm struggling because</p> <p>22 I think the way you're using it is as if there's a</p> <p>23 professional standard for methodology. There are</p> <p>24 like -- like we were talking about generally</p> <p>25 accepted accounting principles. There aren't --</p>

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<p style="text-align: right;">Page 165</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 there's no -- there are no standards like that for</p> <p>3 forecasting. There are approaches that people</p> <p>4 use, but I don't think there's any -- there's no</p> <p>5 check-the-box sort of standard for forecasting.</p> <p>6 Q. Okay. So you're not able to point to</p> <p>7 a forecasting methodology that exists and say</p> <p>8 whether the City employed that forecasting</p> <p>9 methodology or not, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. And that's because to the best of</p> <p>12 your knowledge, you're not aware of a standard</p> <p>13 forecasting methodology for municipal forecasts</p> <p>14 like these, correct?</p> <p>15 A. Or -- yes, that's correct.</p> <p>16 Q. And you took a lot of time to learn</p> <p>17 what the City did, right?</p> <p>18 A. Yes.</p> <p>19 Q. What you're not able to say is how</p> <p>20 what the City did compares to what people</p> <p>21 typically do when compiling a municipal forecast,</p> <p>22 correct?</p> <p>23 A. Yes.</p> <p>24 Q. Because to the best of your</p> <p>25 knowledge, there is no typical?</p>	<p style="text-align: right;">Page 167</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 forecasts?</p> <p>3 A. No.</p> <p>4 Q. Could you have done that?</p> <p>5 A. I think we've got to go back and</p> <p>6 decide -- define again what we're talking about.</p> <p>7 I'm talking about the projections in</p> <p>8 the plan of adjustment. Okay? There are no</p> <p>9 standards that govern projections in a plan.</p> <p>10 Whether that's a plan of adjustment, a plan of</p> <p>11 reorganization or anything like that. Okay?</p> <p>12 The -- the quote, standards, and I --</p> <p>13 and I put that in the finger quotes because I</p> <p>14 think what you're trying to talk about is the City</p> <p>15 budget or something -- again, like I said, I</p> <p>16 don't -- there aren't standards that you would go</p> <p>17 to to say how do you prepare these projections for</p> <p>18 the plan of adjustment.</p> <p>19 Q. Okay. And there's not literature</p> <p>20 either?</p> <p>21 A. In the sense of?</p> <p>22 Q. Scholarly literature on the subject</p> <p>23 of municipal forecasts of revenues and costs?</p> <p>24 A. I believe that there are -- there are</p> <p>25 people that write on what would be good municipal</p>
<p style="text-align: right;">Page 166</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Every municipal forecast I've seen is</p> <p>3 different.</p> <p>4 Q. Okay. So, following on this line,</p> <p>5 it's fair to say that you can't subject the City's</p> <p>6 analysis to peer review, correct?</p> <p>7 A. I'm not sure I would say that.</p> <p>8 Q. You might be able to, you might not</p> <p>9 be able to; you just don't know?</p> <p>10 A. I don't know who the peer would be.</p> <p>11 Q. Okay. You can't compare it to</p> <p>12 industry standards, correct?</p> <p>13 A. In -- "industry standards" being?</p> <p>14 Q. Municipal forecasting industry.</p> <p>15 A. Promulgated by whom?</p> <p>16 Q. Anyone.</p> <p>17 A. Again, I don't -- I guess the answer</p> <p>18 would be no.</p> <p>19 Q. 'Cause your view is that there aren't</p> <p>20 any industry standards?</p> <p>21 A. That's correct.</p> <p>22 Q. So of course you can't, right?</p> <p>23 A. Yes. Yes.</p> <p>24 Q. Did you attempt to compare the City's</p> <p>25 approach to literature on the subject of municipal</p>	<p style="text-align: right;">Page 168</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 finance practices; what would be good pension</p> <p>3 forecasting practices; what would be good</p> <p>4 actuarial -- I mean, there's lots of professional</p> <p>5 literature on any topic that you want to find, but</p> <p>6 that's not what we're talking about here.</p> <p>7 Q. Let's give an example. There's</p> <p>8 literature from the GFOA of which you are aware,</p> <p>9 correct?</p> <p>10 A. And with all due respect none of it</p> <p>11 covers a situation like a Chapter 9.</p> <p>12 Q. No, it covers municipalities, right?</p> <p>13 A. It covers municipality.</p> <p>14 Q. And for example, you didn't attempt</p> <p>15 to take the City's forecasts and compare them to</p> <p>16 the methodologies identified by the GFOA?</p> <p>17 A. No, no.</p> <p>18 Q. I'm correct when I say that?</p> <p>19 A. You are correct.</p> <p>20 THE VIDEOGRAPHER: Counsel, excuse</p> <p>21 me. You're rubbing against your mike. I'm</p> <p>22 sorry for the interruption.</p> <p>23 BY MR. HACKNEY:</p> <p>24 Q. Are the City's forecasts amenable to</p> <p>25 statistical testing?</p>

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1 - MARTI KOPACZ - VOLUME 1-  
2 A. I don't know.  
3 Q. Okay. Now, I think we talked about  
4 earlier the fact that you haven't done any?  
5 A. That's correct.  
6 Q. Any statistical testing, correct?  
7 A. Correct.  
8 Q. Is it fair to say that the City's  
9 forecasts are -- and I'm talking about the ones in  
10 the plan of adjustment, you understand that,  
11 right?  
12 A. Okay.  
13 Q. The City's forecasts are principally  
14 the product of the judgment of the City  
15 forecasters?  
16 A. I don't know who that is.  
17 Q. You don't know --  
18 A. What are -- tell me who those people  
19 are.  
20 Q. Well, I was talking about the  
21 forecasters that are the subject of your expert  
22 opinion.  
23 A. Right.  
24 Q. So those forecasts are principally  
25 the product of the judgments of the forecasters.

1 - MARTI KOPACZ - VOLUME 1-  
2 Do you agree with that?  
3 A. I think so. Yes. The people who  
4 prepare the forecast, it seems circular. They  
5 prepare the forecast, they make the assumptions  
6 and the calculations, yes.  
7 Q. But the assumptions are ones that  
8 they use their judgment to determine, correct?  
9 A. I believe that's correct, yes.  
10 Q. Who are the forecasters on the  
11 revenue side for the City?  
12 A. Ernst & Young.  
13 Q. Yeah, I meant the people.  
14 A. Bob Kline and his team.  
15 Q. Who else?  
16 A. I -- I would -- I would have to -- we  
17 could look and see who we talked about, but I  
18 remember Bob.  
19 Q. Okay.  
20 A. And there are a couple of women who  
21 worked with him.  
22 Q. Do you remember Caroline Sally?  
23 A. That's sounds familiar.  
24 Q. Okay.  
25 A. But, yes.

1 - MARTI KOPACZ - VOLUME 1-  
2 Q. And then Gaurav Malhotra?  
3 A. No.  
4 THE REPORTER: I'm sorry.  
5 MR. HACKNEY: Gaurav Malhotra.  
6 And general spellings I can  
7 definitely give them you at a break.  
8 Q. You remember Gaurav?  
9 A. Absolutely I remember Gaurav.  
10 Q. I didn't hear your answer, I'm sorry.  
11 A. I said Bob Kline and his team,  
12 okay --  
13 (Cell phone interruption.)  
14 THE VIDEOGRAPHER: I'm sorry that  
15 shouldn't happen.  
16 MR. HACKNEY: That's okay. That's a  
17 good ringer.  
18 A. Bob Kline and his team, who are a  
19 division of Ernst & Young in some way, shape or  
20 form, were the professionals that worked on the  
21 revenue projections.  
22 Q. On the revenue projections?  
23 A. Correct.  
24 Q. I see what you're saying.  
25 Okay. So, are you distinguishing

1 - MARTI KOPACZ - VOLUME 1-  
2 Gaurav from Bob Kline's team --  
3 A. Bob --  
4 Q. Is it Bob Kline or Ron Kline?  
5 A. Bob. Bob. I think so.  
6 Q. Mr. Kline.  
7 A. Mr. Kline.  
8 Q. Let's get a sense of who's on  
9 Mr. Kline's team and whether Gaurav is on that  
10 team.  
11 A. Gaurav is the Ernst & Young partner  
12 responsible for the Detroit engagement.  
13 Q. Got it.  
14 A. Okay? Gaurav has work groups, right,  
15 from various parts of Ernst & Young working for  
16 him on this.  
17 Bob Kline is the Ph.D. economist that  
18 has a group of people also working for him that  
19 worked on the revenue projections.  
20 Q. And the cost projections principally  
21 came from Conway MacKenzie; is that right?  
22 A. No. No. It depends on which --  
23 Q. I see?  
24 A. The RRIs came from the Conway  
25 MacKenzie.

<p style="text-align: right;">Page 173</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. The historical call cost expense came</p> <p>3 from whom?</p> <p>4 A. The historical costs came from the</p> <p>5 City. The cost projections came primarily from</p> <p>6 Ernst &amp; Young, a group of people that worked for</p> <p>7 Gaurav.</p> <p>8 Q. I see. Okay.</p> <p>9 So if I was thinking broadly about</p> <p>10 the forecasts in the go-forward years, if I was</p> <p>11 thinking about revenue forecasts, I'm thinking</p> <p>12 about Mr. Kline's team?</p> <p>13 A. That's how I think of it, yes.</p> <p>14 Q. If I'm thinking about cost</p> <p>15 projections that don't entail RRI's, I'm thinking</p> <p>16 about Mr. Malhotra's team?</p> <p>17 A. Right. And he has specific people</p> <p>18 that are responsible for specific parts of the</p> <p>19 cost projections that work for him.</p> <p>20 Q. Understood.</p> <p>21 Then if I'm thinking about RRI's and</p> <p>22 their impacts on either costs or revenues, I'm</p> <p>23 thinking about the Conway MacKenzie team?</p> <p>24 A. Generally that's correct.</p> <p>25 Q. And is this, by the way, part of the</p>	<p style="text-align: right;">Page 175</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. You hadn't thought about it one way</p> <p>3 or the other?</p> <p>4 A. No, I did not make a determination</p> <p>5 one way or the other.</p> <p>6 Q. Okay. Did you ever meet them in</p> <p>7 person?</p> <p>8 A. I did not.</p> <p>9 Q. You spoke to them on the phone?</p> <p>10 A. I did.</p> <p>11 Q. And what was the experience of Mr.</p> <p>12 Malhotra's team when it came to forecasting</p> <p>13 municipal expenses?</p> <p>14 A. I don't know.</p> <p>15 Q. And what was the experience of the</p> <p>16 Conway MacKenzie team when it came to projecting</p> <p>17 the costs or revenues associated with a municipal</p> <p>18 restructuring?</p> <p>19 A. I don't know.</p> <p>20 Q. Now, when you were assessing the</p> <p>21 reliability of the assumptions that are in the</p> <p>22 forecasts, did you independently seek to develop</p> <p>23 your own assumptions first and then compare so</p> <p>24 that you could then compare them to the City's</p> <p>25 assumption and see how they compared?</p>
<p style="text-align: right;">Page 174</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 reason that you found the forecasts confusing is</p> <p>3 because they were the product of actually three</p> <p>4 different groups of forecasters?</p> <p>5 A. It's not that there are different</p> <p>6 people involved. It is that they were never</p> <p>7 harmonized and concatenated in a way that they're</p> <p>8 all in one kind of place.</p> <p>9 Q. What is the experience of Mr. Kline</p> <p>10 and his team when it comes to forecasting</p> <p>11 municipal revenues?</p> <p>12 A. I don't know.</p> <p>13 Q. Okay. Did you make any effort to</p> <p>14 assess that?</p> <p>15 A. I did not.</p> <p>16 Q. Was that important to you?</p> <p>17 A. I looked at -- I used all the</p> <p>18 information that was available to me and all the</p> <p>19 people that were available to me and -- got</p> <p>20 satisfied with the projections in the plan as</p> <p>21 being reasonable revenue projections.</p> <p>22 Q. Were you working under the assumption</p> <p>23 that Mr. Kline and his team had substantial</p> <p>24 experience forecasting municipal revenues?</p> <p>25 A. I did not make that assumption, no.</p>	<p style="text-align: right;">Page 176</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. No.</p> <p>3 Q. Okay.</p> <p>4 A. Generally not.</p> <p>5 Q. So what you did, instead, was you</p> <p>6 first understood what the City's assumption was</p> <p>7 and then you tested the reasonableness of that</p> <p>8 assumption, correct?</p> <p>9 A. Generally that's correct, yes.</p> <p>10 Q. Okay. Why didn't you, for example,</p> <p>11 kind of in order to avoid just, you know, the</p> <p>12 impact that even seeing their assumption can have</p> <p>13 on you, why didn't you say, What do I think wages</p> <p>14 will be year over year for the next ten years, and</p> <p>15 do the work independently and then see how it</p> <p>16 mapped?</p> <p>17 A. Generally two reasons, time. When I</p> <p>18 was appointed I had, I think, 62 days originally</p> <p>19 between when I was appointed and when my report</p> <p>20 was due.</p> <p>21 Q. Yeah.</p> <p>22 A. Okay. Secondly, I learned very</p> <p>23 quickly the condition of the historical records of</p> <p>24 the City, and realized that in order to get done</p> <p>25 with my assignment, I was going to have to rely on</p>

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<p style="text-align: right;">Page 177</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the assimilation of data that the other</p> <p>3 professionals had acquired. And that included the</p> <p>4 creditors' professionals, as well.</p> <p>5 Being the last person at the dance,</p> <p>6 so to speak, I needed to rely on not only on</p> <p>7 Ernst &amp; Young and Conway, but Alvarez and FDI --</p> <p>8 Q. Yeah.</p> <p>9 A. -- and Houlihan, to help get us to</p> <p>10 the best data that was out there.</p> <p>11 Q. So let me see if I can summarize, the</p> <p>12 time that you were allotted which we discussed and</p> <p>13 which I've told you I'm of the view wasn't very</p> <p>14 much, but it was what it was, but the time that</p> <p>15 you were allotted did not allow you to either</p> <p>16 independently verify the data or independently</p> <p>17 generate your own assumptions?</p> <p>18 A. I -- I wouldn't go so far as to say</p> <p>19 we didn't independently verify because we did,</p> <p>20 specifically on the revenue projections and things</p> <p>21 surrounding those, we did seek other third-party</p> <p>22 sources of data. So --</p> <p>23 Q. There were instances where you sought</p> <p>24 some form of corroboration?</p> <p>25 A. Separate and apart from the City.</p>	<p style="text-align: right;">Page 179</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Right.</p> <p>3 Q. Let's put that to one side, now let's</p> <p>4 go backwards in time.</p> <p>5 Did you review any CAFRs other than</p> <p>6 the 2012 CAFR?</p> <p>7 A. I did not.</p> <p>8 Q. And whether your team did or not, you</p> <p>9 don't know?</p> <p>10 A. I don't know.</p> <p>11 Q. Do you -- is it your opinion that</p> <p>12 none of the prior year CAFRs prior to 2012 have</p> <p>13 any relevance to the City's financial projections?</p> <p>14 A. Like I said, I didn't look at it.</p> <p>15 Don't know if my team did or not.</p> <p>16 Q. So, do you think they are relevant or</p> <p>17 not?</p> <p>18 A. I don't know.</p> <p>19 Q. You don't know. They might be, they</p> <p>20 may not be?</p> <p>21 A. They weren't part -- they weren't</p> <p>22 part of the basis for my opinion.</p> <p>23 Q. Okay. But I'm asking about the</p> <p>24 relevance of them?</p> <p>25 A. I don't know.</p>
<p style="text-align: right;">Page 178</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. But in general, you'd agree with my</p> <p>3 statement that you didn't have sufficient time to</p> <p>4 independently verify all of the data on which the</p> <p>5 forecasts are built in order to develop your own</p> <p>6 assumptions?</p> <p>7 MR. KANE: Objection. Go ahead and</p> <p>8 answer.</p> <p>9 A. Yes.</p> <p>10 Q. You agree with me?</p> <p>11 A. Yes.</p> <p>12 Q. Your reliance materials only list the</p> <p>13 City's CAFR for 2012 specifically by name?</p> <p>14 A. Uh-huh.</p> <p>15 Q. Is that the only CAFR that you</p> <p>16 reviewed?</p> <p>17 A. We did not get the CAFR, the '13 CAFR</p> <p>18 until after my report was filed.</p> <p>19 Q. Understood.</p> <p>20 So we've had a conversation about the</p> <p>21 '13 CAFR and how some of the information in it may</p> <p>22 have been known to you --</p> <p>23 A. Right.</p> <p>24 Q. -- and other parts of the information</p> <p>25 may not have been?</p>	<p style="text-align: right;">Page 180</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. You don't know what the relevance is?</p> <p>3 A. Yes.</p> <p>4 Q. Would you agree -- let's go back to</p> <p>5 our word methodology which you've used to describe</p> <p>6 as approach.</p> <p>7 Methodologies is an important word in</p> <p>8 the legal setting, that's why lawyers are always</p> <p>9 asking about methodology.</p> <p>10 But would you agree that the City did</p> <p>11 not employ a uniform approach in constructing the</p> <p>12 forecasts?</p> <p>13 A. Yes.</p> <p>14 Q. Would you also agree that the City</p> <p>15 didn't apply a uniform methodology in constructing</p> <p>16 the forecasts?</p> <p>17 A. I don't like the word methodology.</p> <p>18 Q. Okay. You're more comfortable with</p> <p>19 approach?</p> <p>20 A. I'm more comfortable with approach.</p> <p>21 Q. But can you describe what the</p> <p>22 approach was?</p> <p>23 A. It depends on -- it depends on which</p> <p>24 model we're talking about. The original baseline</p> <p>25 E &amp; Y model, the Conway models, or the E &amp; Y</p>

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<p style="text-align: right;">Page 181</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 10-year, 40-year model. It depends on what the</p> <p>3 line item that is being projected is, okay?</p> <p>4 And there are different approaches</p> <p>5 used for estimating both revenues and expenses</p> <p>6 depending on which one you're talking about and</p> <p>7 who did it.</p> <p>8 Q. And then are there different</p> <p>9 approaches even within categories like did they</p> <p>10 employ a different approach to estimating</p> <p>11 different types of revenue?</p> <p>12 A. Yes. Well, revenue -- revenue in</p> <p>13 terms of the E &amp; Y models, no. Okay. There are</p> <p>14 differences in approaches, for example, to</p> <p>15 salaries and wages, depending on whether it's a</p> <p>16 Conway model or whether it's an E &amp; Y model.</p> <p>17 Q. Did you say in your expert report</p> <p>18 that you found the City's model to be convoluted?</p> <p>19 A. And confusing.</p> <p>20 Q. Yeah. Did you also say convoluted?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. I will put my hand up and</p> <p>23 agree with you on that.</p> <p>24 MR. KANE: Objection.</p> <p>25 MR. HACKNEY: For now?</p>	<p style="text-align: right;">Page 183</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 that?</p> <p>3 A. Yes.</p> <p>4 Q. Income tax revenue is a different</p> <p>5 type of revenue from wagering revenue, right?</p> <p>6 A. Yes.</p> <p>7 Q. Do you understand the idea that there</p> <p>8 are -- there are -- that revenue is often divided</p> <p>9 into two board categories of whether it's</p> <p>10 deterministic on the one hand or volatile on the</p> <p>11 other?</p> <p>12 A. I would agree there are different</p> <p>13 types of revenue that have the different bases for</p> <p>14 -- around which you would estimate. But I would</p> <p>15 want you to define those words before I would</p> <p>16 agree or disagree with them.</p> <p>17 Q. Deterministic I use in the sense that</p> <p>18 it means predictable and volatile means</p> <p>19 unpredictable.</p> <p>20 A. Yes.</p> <p>21 Q. Have you ever -- do you understand</p> <p>22 the idea that you can classify revenue streams as</p> <p>23 being either predictable or unpredictable?</p> <p>24 A. I would think that is the analyst's</p> <p>25 choice of how they want to describe them,</p>
<p style="text-align: right;">Page 182</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. KANE: What?</p> <p>3 BY MR. HACKNEY:</p> <p>4 Q. So we've talked a lot about -- we've</p> <p>5 talked about industry standards and -- but have</p> <p>6 you ever seen another city employ the approach for</p> <p>7 its forecasts that was employed here?</p> <p>8 A. No, because as we've established,</p> <p>9 I've never seen another city like this doing</p> <p>10 forecasts for a plan of adjustment.</p> <p>11 Q. True, but you have seen other cities</p> <p>12 doing forecasts, right?</p> <p>13 A. Budgetary forecasts, yes.</p> <p>14 Q. Yeah. Have you ever seen any of</p> <p>15 those cities employ a methodology or an approach,</p> <p>16 sorry, like this one?</p> <p>17 A. No.</p> <p>18 Q. When it comes to forecasting revenue,</p> <p>19 do you believe that the forecasting technique that</p> <p>20 you employed depends on the nature of the revenue</p> <p>21 source that's being forecasted?</p> <p>22 A. Can you explain that?</p> <p>23 Q. Sure. So do you understand that</p> <p>24 there are -- certainly understand that there are</p> <p>25 different types of revenue, right? You understand</p>	<p style="text-align: right;">Page 184</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 generally.</p> <p>3 Q. Yes. Right. And did you undertake a</p> <p>4 revenue portfolio analysis in this case?</p> <p>5 A. A revenue portfolio analysis? Don't</p> <p>6 know what a revenue portfolio analysis is.</p> <p>7 We looked at all the revenues that</p> <p>8 were presented in the plan of adjustment</p> <p>9 projections.</p> <p>10 Q. So I guess can I say that to the</p> <p>11 extent you undertook a revenue portfolio analysis,</p> <p>12 you didn't do so consciously?</p> <p>13 A. I wouldn't -- I don't think -- that</p> <p>14 sounds like a term of art, it doesn't sound like</p> <p>15 something that you would think about.</p> <p>16 Q. That's -- that sounds like a term of</p> <p>17 art from the world of revenue forecasting?</p> <p>18 A. It's somebody's -- it's somebody's</p> <p>19 term of art, but it's not my term of art.</p> <p>20 Q. Okay. Did you make an independent</p> <p>21 assessment for yourself as to whether or not the</p> <p>22 City's revenue streams could be classified as</p> <p>23 either predictable or unpredictable?</p> <p>24 A. I looked at each revenue stream and</p> <p>25 assessed whether I thought the City's forecast or</p>

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<p style="text-align: right;">Page 185</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 projection of that revenue was reasonable.</p> <p>3 Q. You did not otherwise attempt to</p> <p>4 classify a revenue stream, correct?</p> <p>5 A. No. It wouldn't serve my purpose.</p> <p>6 Q. Okay. Do you agree as a general</p> <p>7 matter that qualitative methods are useful for</p> <p>8 forecasting new or volatile revenues sources?</p> <p>9 A. What qualitative method?</p> <p>10 Q. Qualitative methods like the naive</p> <p>11 method, expert, judgmental, trend. Any of those.</p> <p>12 A. Again, that's not the way that I</p> <p>13 think about the analysis that we did of the City's</p> <p>14 projections.</p> <p>15 Q. Okay. Is it fair to say you never</p> <p>16 took a step back from the City's approach and</p> <p>17 tried to determine whether the approach should be</p> <p>18 different for different revenue streams?</p> <p>19 A. No, that's not fair to say.</p> <p>20 Q. That's not fair?</p> <p>21 A. No.</p> <p>22 Q. Did the City employ different</p> <p>23 approaches for different revenue streams or did it</p> <p>24 employ the same approach?</p> <p>25 A. When you say "approach," right, we're</p>	<p style="text-align: right;">Page 187</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 heard the term methodology before, right?</p> <p>3 A. Uh-huh. Yes.</p> <p>4 Q. And you understand that that</p> <p>5 different methodologies can all employ</p> <p>6 assumptions, right?</p> <p>7 A. I would agree, yes.</p> <p>8 Q. And so do you understand the</p> <p>9 difference between testing the assumptions that go</p> <p>10 into a methodology from the idea of testing the</p> <p>11 propriety of the methodology itself?</p> <p>12 Do you understand that distinction,</p> <p>13 right?</p> <p>14 A. I understand the distinction you're</p> <p>15 making right now, yes.</p> <p>16 Q. You did not attempt to determine or</p> <p>17 critique the methodology the City employed,</p> <p>18 instead, you focused on the assumptions that the</p> <p>19 City adopted, correct?</p> <p>20 A. Yes and no.</p> <p>21 Q. Okay.</p> <p>22 A. Okay. Methodology in terms of what</p> <p>23 we evaluated was the approach used by E &amp; Y and</p> <p>24 Conway. Okay? Methodology is a term, to me, that</p> <p>25 is lower case, there's not a capital methodology,</p>
<p style="text-align: right;">Page 186</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 talking about, they -- each revenue stream is</p> <p>3 forecasted on its own set of assumptions and then</p> <p>4 they're aggregated to come up with a total revenue</p> <p>5 projection. So income tax and the various types</p> <p>6 of income tax are estimated differently than</p> <p>7 wagering tax.</p> <p>8 Q. How are they estimated differently?</p> <p>9 A. Well, income tax looks at the change</p> <p>10 in wages, it looks at the change in employment.</p> <p>11 Whereas, wagering taxes looks at the change in</p> <p>12 casino revenue.</p> <p>13 Q. From my standpoint, I think of those</p> <p>14 as being different data inputs but not necessarily</p> <p>15 different approaches. But in your analysis, is it</p> <p>16 a different approach?</p> <p>17 A. They're -- they are definitely</p> <p>18 different inputs and a different type of</p> <p>19 assumption. I don't know whether that's a</p> <p>20 different approach or different methodology,</p> <p>21 whatever -- right -- whatever you say is they have</p> <p>22 different inputs.</p> <p>23 Q. I guess, you are an educated woman</p> <p>24 and very experienced, I mean -- let me -- let me</p> <p>25 quibble with you a little bit and say you have</p>	<p style="text-align: right;">Page 188</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 it's not a proper noun. Okay? It is a word that</p> <p>3 describes how something is done. Okay? Depending</p> <p>4 on what -- particularly on the cost side, what</p> <p>5 costs were being estimated for the projections,</p> <p>6 there were multiple methodologies used. Okay?</p> <p>7 What was important to me was to</p> <p>8 assess the outcome of that estimate and whether or</p> <p>9 not that was reasonable. So, looking at the</p> <p>10 assumptions, looking at the input, looking at how</p> <p>11 those were mathematically manipulated and what the</p> <p>12 output was and assessing whether or not that was</p> <p>13 reasonable, is the approach that I used to fulfill</p> <p>14 my responsibilities as part of this -- this</p> <p>15 appointment.</p> <p>16 Q. So let me give you an example, see if</p> <p>17 we can kind of refine our conversation a little</p> <p>18 bit. Take a single revenue stream like property</p> <p>19 tax revenue.</p> <p>20 A. Okay.</p> <p>21 Q. Okay. Do you understand that you can</p> <p>22 look at historical evidence of property tax</p> <p>23 revenue collections and then apply just individual</p> <p>24 judgment to the different components of it in</p> <p>25 order to forecast property revenue into the</p>

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<p style="text-align: right;">Page 189</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 future?</p> <p>3 A. I agree with that, yes.</p> <p>4 Q. That's a possible approach?</p> <p>5 A. Yes.</p> <p>6 Q. Correct?</p> <p>7 A. Uh-huh.</p> <p>8 Q. But separately, you can use a</p> <p>9 statistical method like a time series forecast in</p> <p>10 order to forecast future property revenues,</p> <p>11 correct?</p> <p>12 A. You could, yes.</p> <p>13 Q. Let's describe those for purposes of</p> <p>14 my question as two different methodologies, okay?</p> <p>15 A. Okay.</p> <p>16 Q. You never attempted to look at the</p> <p>17 City's approach to any of the revenue streams and</p> <p>18 say, they are using the wrong methodology,</p> <p>19 correct?</p> <p>20 A. That's correct.</p> <p>21 Q. Now, within their methodology, what</p> <p>22 you did do is you looked at the assumptions that</p> <p>23 went into the methodology the City adopted and</p> <p>24 determined the reasonableness of those</p> <p>25 assumptions, correct?</p>	<p style="text-align: right;">Page 191</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Well, so let me -- I didn't ask that</p> <p>3 very well.</p> <p>4 So, do you understand that there was</p> <p>5 a -- that there was a ten-year forecast in the</p> <p>6 June 2013 proposal to creditors?</p> <p>7 A. Yes.</p> <p>8 Q. And do you understand that that</p> <p>9 proposal to creditors included a forecast both</p> <p>10 with and without the RRI's?</p> <p>11 A. I don't recall.</p> <p>12 Q. Okay. Let me put it more generally.</p> <p>13 Do you remember that there was a</p> <p>14 forecast for what happens if there's no bankruptcy</p> <p>15 and then there was a forecast for what happens if</p> <p>16 there is a bankruptcy, or if there are</p> <p>17 restructuring initiatives?</p> <p>18 A. My recollection of the June '13</p> <p>19 projections that were provided to creditors was --</p> <p>20 was this is the projection of what will happen.</p> <p>21 Okay? What is going to happen to this city in</p> <p>22 terms of its obligations in the future.</p> <p>23 So this was -- right -- and again, I</p> <p>24 don't know about --</p> <p>25 Q. You don't remember --</p>
<p style="text-align: right;">Page 190</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. That's correct.</p> <p>3 Q. Okay. And I take it as a corollary</p> <p>4 of that, you don't have an opinion as to whether</p> <p>5 the City utilized the correct methodology, not</p> <p>6 assumptions, in forecasting the revenue that it</p> <p>7 forecasted, correct?</p> <p>8 A. I accepted the methodology, whatever</p> <p>9 that may be, that the City used and evaluated the</p> <p>10 result of that methodology, plus the inputs and</p> <p>11 the assumptions.</p> <p>12 Q. Okay. You did not attempt to</p> <p>13 critique whether they employed the correct</p> <p>14 methodology, correct?</p> <p>15 A. I don't know that there is a correct</p> <p>16 methodology, so --</p> <p>17 Q. Okay.</p> <p>18 A. -- the answer is I don't know.</p> <p>19 Q. So, you don't know if there is one so</p> <p>20 you couldn't have critiqued it, right?</p> <p>21 A. I think that's correct.</p> <p>22 Q. Okay. Now, have you -- you know that</p> <p>23 the City's forecasts in one form or another, they</p> <p>24 go back to the prefiling period 2013, correct?</p> <p>25 A. In terms of their preparation?</p>	<p style="text-align: right;">Page 192</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. -- multiple -- I don't remember</p> <p>3 multiple versions.</p> <p>4 Q. Okay. So, I'll tell you my</p> <p>5 recollection of it was there was a so-called</p> <p>6 steady state five-year forecast, but there was</p> <p>7 also a ten-year forecast where they also presented</p> <p>8 in an aggregate level the RRI's and then the delta</p> <p>9 was amounts available for distribution of</p> <p>10 creditors.</p> <p>11 But if that doesn't ring a bell --</p> <p>12 A. My recollection of that projection</p> <p>13 was that this is what's going to happen to this</p> <p>14 city if nothing else changes.</p> <p>15 Q. Let's go up a level and I'll try to</p> <p>16 not get bogged down in some of the specifics, but</p> <p>17 let's do it this way:</p> <p>18 You -- you agree that when the</p> <p>19 forecasts -- that the forecasting process had</p> <p>20 already begun prior to the bankruptcy, correct?</p> <p>21 A. Yes.</p> <p>22 Q. And the forecasting process that has</p> <p>23 resulted in the forecasts that are in the plan has</p> <p>24 continued throughout the bankruptcy, correct?</p> <p>25 A. Yes.</p>

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Q. And so as a result of the passage of time, as we sit here today, there are now actually historical results that we have that are historical as of today, that can be compared to what was once a forecast, correct?

A. That's possible, yes.

Q. I take it you have not done that?

A. I have not done that.

Q. So you haven't attempted to validate what the prior forecasts against subsequent historical information that's come in?

A. No, I have not.

Q. Okay. You have not -- I want to talk briefly about taxes, okay?

You did not include -- you did not conduct analysis of whether the City can increase taxes, correct?

A. That's correct.

Q. Both from the standpoint -- you didn't analyze whether it legally can increase taxes, correct?

A. Correct.

Q. You also didn't analyze whether economically if it did increase taxes, what would

- MARTI KOPACZ - VOLUME 1-

decreased.

Q. Do you know how much it decreased?

A. I don't.

Q. I take it you don't know what the City's assessed property values are as you sit here today?

A. I do not.

Q. And you haven't engaged in an independent effort to determine what the assessed value should be, correct?

A. That's correct.

Q. Now, is it reasonable to assume that the assessed value per parcel in the City of Detroit will fall by an additional 50 percent between -- over the next seven years?

A. I am not --

MR. STEWART: Objection.

A. I have no way to know that.

Q. You have no way to test that assumption?

Let's start -- you did not test that assumption, correct?

A. That's correct.

Q. Okay. There is a way to test the

- MARTI KOPACZ - VOLUME 1-

happen to the City, correct?

A. Correct.

Q. And you're offering opinions on tax policy in this case, correct?

A. I am not.

Q. Now, is it correct -- I want to talk about property value, okay?

Is it correct that the average assessed value per parcel in the City of Detroit decreased by 37 percent between 2008 and 2013?

A. I'm not familiar with that data point.

Q. Do you know -- do you agree that there was a substantial decrease in the assessed value per parcel in the City of Detroit between 2008 and 2013?

A. I don't know what "substantial" means but I can say, yes, I am aware that property value -- assessed property values decreased.

Q. What would you define "substantial" as?

A. I don't know.

Q. I mean, you can do whatever you want.

A. Property -- assessed property value

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assumption, though, correct?

A. I don't know.

Q. Okay. Do you understand that the City's forecasts include assumptions about future assessed value per parcel?

A. I don't know -- I know that the City's projections include estimates for property taxes going forward, right.

Q. Yes.

A. I don't know what their per parcel estimates have been.

Q. Okay. I take it you made no effort to validate any assumptions regarding assessed value per property?

A. That's correct.

Q. Or in the aggregate, correct?

A. Or in the aggregate?

Q. Meaning to the extent the City aggregated assessed values across the City and made assumptions about that, you did not test those assumptions, correct?

A. Correct.

Q. Now, do you know what Mr. -- do you know that the City reassessed its properties in

<p style="text-align: right;">Page 197</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Decem -- December of 2013?</p> <p>3 A. I believe it's in the process of</p> <p>4 assessing a lot of properties, right.</p> <p>5 Q. So I want to distinguish between</p> <p>6 these two concepts, so I'm going to ask you about</p> <p>7 them separately, though, because you're right,</p> <p>8 there is a citywide appraisal, and you're right,</p> <p>9 it is ongoing. Put that here for a second,</p> <p>10 mentally, okay?</p> <p>11 A. Okay.</p> <p>12 Q. Now, are you aware there was a</p> <p>13 reassessment in December of 2013?</p> <p>14 A. Vaguely, yes.</p> <p>15 Q. So "vaguely" means?</p> <p>16 A. I was aware of it --</p> <p>17 Q. You are --</p> <p>18 A. Anecdotal I am aware of it, yes.</p> <p>19 Q. Okay. You did not -- do you know the</p> <p>20 impact of that assessment on taxable value in the</p> <p>21 City of Detroit?</p> <p>22 A. I don't.</p> <p>23 Q. Do you know the approximate impact of</p> <p>24 it?</p> <p>25 A. I don't.</p>	<p style="text-align: right;">Page 199</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Is it fair to assume that he is the</p> <p>3 most knowledgeable person in the City of Detroit?</p> <p>4 A. I don't know.</p> <p>5 Q. That's not a question you've</p> <p>6 considered?</p> <p>7 A. It is not.</p> <p>8 Q. Do you believe that Mr. Evanko's</p> <p>9 opinions regarding the effect of the citywide</p> <p>10 reappraisal will have on property values are</p> <p>11 relevant to determining future property values?</p> <p>12 A. Could you repeat that question?</p> <p>13 Q. Yeah. So do you believe Mr. Evanko,</p> <p>14 who is the City's only Level 4 assessor, right?</p> <p>15 A. Uh-huh.</p> <p>16 Q. Yes?</p> <p>17 A. Yes.</p> <p>18 Q. Sorry. That's okay. I do that all</p> <p>19 the time.</p> <p>20 Do you agree that Mr. Evanko's coast</p> <p>21 views about the impact of citywide reappraisal</p> <p>22 that we were just talking about, that the impact</p> <p>23 that that will have on taxable value in the City</p> <p>24 of Detroit is an important data point to consider?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 198</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Do you know what impact it had on the</p> <p>3 forecasts?</p> <p>4 A. I know that property tax forecast --</p> <p>5 property tax revenue forecasts declined between</p> <p>6 the May 5th and the July 2nd projections.</p> <p>7 Q. Do you know why it declined?</p> <p>8 A. It declined as a result of --</p> <p>9 Ernst &amp; Young's view that the assessed value was</p> <p>10 going down.</p> <p>11 Q. Was going to go down or had gone</p> <p>12 down?</p> <p>13 A. I don't -- I don't have a precise</p> <p>14 time recollection on that.</p> <p>15 Q. Do you know whether the citywide</p> <p>16 reappraisal has begun?</p> <p>17 A. I don't know.</p> <p>18 Q. Do you know when it will -- it is</p> <p>19 estimated to conclude?</p> <p>20 A. I don't.</p> <p>21 Q. Do you know anyone in the City of</p> <p>22 Detroit who is more knowledgeable about the</p> <p>23 assessed values of property in the City of Detroit</p> <p>24 than Mr. Evanko, the chief assessor?</p> <p>25 A. I don't know.</p>	<p style="text-align: right;">Page 200</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. If Mr. Evanko told you that he has no</p> <p>3 idea whether that citywide reappraisal will cause</p> <p>4 taxable values to be lower or higher, would you</p> <p>5 consider that an important data point?</p> <p>6 A. I -- I'm -- I would consider what he</p> <p>7 said to be relevant. Okay? So I don't know what</p> <p>8 he said so I can't really say whether I think I</p> <p>9 agree or don't agree. I would think that the</p> <p>10 City's assessor would be an important person to</p> <p>11 consider as somebody who is looking at this.</p> <p>12 Q. Understood. So do you understand</p> <p>13 that the Ernst &amp; Young forecasts project the</p> <p>14 taxable value will decrease by 9 percent as a</p> <p>15 result of the citywide reappraisal?</p> <p>16 A. I understand that as part of their</p> <p>17 assumption, yes.</p> <p>18 Q. What is the basis for their</p> <p>19 assumption?</p> <p>20 MR. DiPOMPEO: Objection.</p> <p>21 A. Their assessment in consultation with</p> <p>22 the City.</p> <p>23 Q. Okay. But like what -- they talk to</p> <p>24 people that told them that?</p> <p>25 A. That is my assumption, yes.</p>

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<p style="text-align: right;">Page 201</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. That's your assumption about their</p> <p>3 assumption?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. Have you independently</p> <p>6 verified the reasonableness of that particular</p> <p>7 assumption?</p> <p>8 A. I have not.</p> <p>9 Q. Do you believe -- this get -- so do</p> <p>10 you believe it's reasonable to assume that taxable</p> <p>11 value in the City of Detroit will decrease over</p> <p>12 the next -- by 9 percent, as a result of the</p> <p>13 citywide reappraisal where the City's senior</p> <p>14 assessor says that he doesn't know whether taxable</p> <p>15 value will go up or down.</p> <p>16 MR. STEWART: Objection.</p> <p>17 A. I don't know.</p> <p>18 Q. You don't know if that's reasonable</p> <p>19 or not?</p> <p>20 A. Yes, I do not know if that's</p> <p>21 reasonable or not.</p> <p>22 Q. It's not something you've considered</p> <p>23 before today?</p> <p>24 A. That's correct.</p> <p>25 Q. One of the interesting things about</p>	<p style="text-align: right;">Page 203</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 three to four percent drop in fiscal year 2016,</p> <p>3 right?</p> <p>4 A. That is --</p> <p>5 Q. What it should say?</p> <p>6 A. -- the -- yes, it should say '16.</p> <p>7 Q. That's what you meant it to say?</p> <p>8 A. That is what I meant it to say.</p> <p>9 Q. Now, if the available evidence shows</p> <p>10 that -- and Ms. Kopacz, this is kind of a -- this</p> <p>11 almost goes to your own methodology, so consider</p> <p>12 this for a second.</p> <p>13 If the available evidence shows that</p> <p>14 there's unlikely to be any drop in taxable value</p> <p>15 in either 2015 or 2016, would you still consider</p> <p>16 this a reasonable assumption because it's</p> <p>17 conservative?</p> <p>18 You see the point of my question?</p> <p>19 Which is I'm trying to tease out a little bit what</p> <p>20 you were thinking about when you were testing</p> <p>21 assumptions.</p> <p>22 Consider a situation where the</p> <p>23 available evidence actually suggests that there</p> <p>24 will not be any drop in real property assessments,</p> <p>25 okay? But the City employs a methodology that</p>
<p style="text-align: right;">Page 202</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 when you are feasibility expert is we were talking</p> <p>3 earlier about the notion of there being a hurdle</p> <p>4 and your job being to assess whether the City will</p> <p>5 get over that hurdle, right?</p> <p>6 A. Correct.</p> <p>7 Q. Do you remember that testimony?</p> <p>8 A. Uh-huh.</p> <p>9 Q. Isn't it true that if the City adopts</p> <p>10 an assumption about taxable value which is that in</p> <p>11 the future it's going to go down by 9 percent, as</p> <p>12 it did, right? Correct?</p> <p>13 A. We can look at it.</p> <p>14 Q. If you want to double-check it,</p> <p>15 that's totally fine.</p> <p>16 Do you want to?</p> <p>17 Take a look at Page 59.</p> <p>18 A. About Page 59, there is a typo on</p> <p>19 Page 59 about two-thirds of the way down, there</p> <p>20 are two numbers, FY 215, 2015, followed by another</p> <p>21 FY 2015. The second FY 2015 should be 2016.</p> <p>22 Q. Okay. So what this is saying is that</p> <p>23 because of the citywide reappraisal, there's going</p> <p>24 to be a 9 percent drop in real property</p> <p>25 assessments in fiscal year 2015 and then another</p>	<p style="text-align: right;">Page 204</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 says that there will be a nine percent drop in</p> <p>3 2015 and a three to four percent drop in 2016,</p> <p>4 okay?</p> <p>5 Isn't it true that based on your task</p> <p>6 as the feasibility expert, you could still find</p> <p>7 that assumption to be reasonable. Correct?</p> <p>8 MR. KANE: Hold on a second. So</p> <p>9 there's a lot in there so, one, I will object</p> <p>10 on vagueness. But I'm not trying to</p> <p>11 interfere, I just want to clarify.</p> <p>12 Are you asking her to assume that the</p> <p>13 available evidence shows that?</p> <p>14 MR. HACKNEY: Yes.</p> <p>15 MR. KANE: Okay. So he's asking you</p> <p>16 to assume --</p> <p>17 MR. HACKNEY: It's a hypothetical?</p> <p>18 MR. KANE: That's all I want --</p> <p>19 A. It's an assuming there's evidence to</p> <p>20 say that property values won't decline.</p> <p>21 Q. That's right.</p> <p>22 A. And that this forecast says they will</p> <p>23 decline, right?</p> <p>24 Q. Right.</p> <p>25 A. That is a positive contributor to my</p>

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<p style="text-align: right;">Page 205</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 assessment of feasibility.</p> <p>3 Q. Okay. So do you understand how</p> <p>4 whether or not the -- in that hypothetical, where</p> <p>5 the available evidence shows -- predicts that</p> <p>6 there won't be a drop in real property</p> <p>7 assessments, but the forecasters project a drop,</p> <p>8 do you understand that the reasonableness of that</p> <p>9 assumption depends very much on how you are</p> <p>10 looking at the question?</p> <p>11 MR. STEWART: Objection.</p> <p>12 A. And the question is?</p> <p>13 Q. Do you understand that the</p> <p>14 reasonableness of the assumption depends on what</p> <p>15 you're evaluating the forecast for?</p> <p>16 MR. STEWART: Objection.</p> <p>17 A. I only evaluate it for purposes of</p> <p>18 feasibility, okay. And therefore, if the</p> <p>19 projection relative to property tax revenue is</p> <p>20 conservative, right, then I consider that to be a</p> <p>21 good thing relative to my feasibility assessment.</p> <p>22 Okay?</p> <p>23 Q. You said exactly what I was driving</p> <p>24 at. Isn't it true the more conservative the City</p> <p>25 gets, the happier you become about the</p>	<p style="text-align: right;">Page 207</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Okay. So --</p> <p>3 A. Go ahead.</p> <p>4 Q. Okay. So I'm not going to sharp</p> <p>5 shoot you, so don't take this wrong way.</p> <p>6 A. That's okay.</p> <p>7 Q. I'm going to read from your report.</p> <p>8 Let's take a step back, okay?</p> <p>9 A. Okay.</p> <p>10 MR. KANE: What page are you on?</p> <p>11 MR. HACKNEY: This is Page 18.</p> <p>12 Q. You're talking about reasonableness</p> <p>13 here, okay?</p> <p>14 A. Reasonableness. And we're in -- I</p> <p>15 know where we are. We're in the definition of</p> <p>16 feasibility.</p> <p>17 Q. That's right.</p> <p>18 A. Yes.</p> <p>19 Q. So, of course, I'm looking here at --</p> <p>20 it's like the -- sort of second, third of the big</p> <p>21 paragraph.</p> <p>22 "Of course at the outer edges of</p> <p>23 'reasonable,' values become unreasonable either</p> <p>24 because they are exceptionally conservative or</p> <p>25 wildly aggressive," right?</p>
<p style="text-align: right;">Page 206</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 reasonableness of their assumption, in terms of</p> <p>3 evaluating feasibility?</p> <p>4 MR. STEWART: Objection.</p> <p>5 A. Consistent with the standard that I</p> <p>6 laid out, okay, the reasonableness of the</p> <p>7 projections, okay, are going to be influenced by</p> <p>8 both assumptions that I find to be aggressive and</p> <p>9 assumptions I find to be conservative. Okay?</p> <p>10 There are instances of both of that, those -- in</p> <p>11 these projections.</p> <p>12 Q. If the assumptions were all</p> <p>13 conservative, it would be more likely that you'd</p> <p>14 find feasibility than if some were conservative</p> <p>15 and some were aggressive. Do you agree?</p> <p>16 A. I think in totality the answer is</p> <p>17 yes.</p> <p>18 MR. STEWART: Objection.</p> <p>19 Q. Okay. In fact, your test for</p> <p>20 reasonableness means as long as an assumption is</p> <p>21 not exceptionally conservative, it is reasonable,</p> <p>22 correct?</p> <p>23 MR. STEWART: Objection.</p> <p>24 A. I'm not sure -- I'm not sure I know</p> <p>25 what exceptionally conservative is.</p>	<p style="text-align: right;">Page 208</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. Those are the terms you used in your</p> <p>4 report?</p> <p>5 A. I did.</p> <p>6 Q. What I want to establish is when we</p> <p>7 think of Marti Kopacz's definition of</p> <p>8 reasonableness, we should see a continuum, right?</p> <p>9 A. Correct.</p> <p>10 Q. And on one of end of the continuum we</p> <p>11 should see exceptionally conservative, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And on the other end of the</p> <p>14 continuum, we should see wildly aggressive?</p> <p>15 A. Correct.</p> <p>16 Q. And as long as the assumption falls</p> <p>17 between those two points, it fits your definition</p> <p>18 of reasonable?</p> <p>19 A. Yes, as long as it's not</p> <p>20 exceptionally conservative or wildly aggressive,</p> <p>21 right. In other words, it's not in -- it's in</p> <p>22 that middle of those ranges, right, then I'm -- I</p> <p>23 am going to accept that it's reasonable.</p> <p>24 Q. But wouldn't an exceptionally</p> <p>25 conservative plan be highly feasible?</p>

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1 - MARTI KOPACZ - VOLUME 1-

2 A. An exceptionally conservative plan,  
3 if everything was conceptually -- if everything  
4 was exceptionally conservative, then it would be  
5 highly feasible to the point of being a slam dunk  
6 or a guarantee.

7 Q. What's wrong with that?

8 A. Hmm?

9 Q. What's wrong with being a guarantee,  
10 from your standpoint?

11 A. Well, I don't think it's realistic.

12 Q. Because?

13 A. No forecast or projection is the ever  
14 going to be met the way it's laid out to be.

15 Q. Well, will the City earn a hundred  
16 dollars of revenue next year?

17 A. Yes.

18 Q. Okay. So we can guarantee, if the  
19 budget -- let's go to the absurd, right?

20 A. Right.

21 Q. I mean, we know the City will have a  
22 hundred dollars of revenue?

23 A. Yes.

24 Q. Then we can actually say, I guarantee  
25 that the City will have a hundred dollars in

1 - MARTI KOPACZ - VOLUME 1-  
2 revenue next year, correct?

3 A. Yes.

4 Q. I mean, I guess you get to the point  
5 and you say, well, maybe there's a neutron bomb or  
6 something and none of us exist anymore. But within  
7 the way people use the word guarantee, we can  
8 guarantee that the City will have a hundred  
9 dollars of revenue, correct?

10 A. Yes.

11 Q. Now as you -- then you play the old  
12 game, right, as you go forward from that, at some  
13 point you kind of say goodbye to the point where  
14 you could guarantee?

15 A. Yes.

16 Q. Right?

17 A. Yes.

18 Q. Okay. So, I want to quibble a little  
19 bit with you about this idea that -- that there  
20 aren't any guarantees because if -- if the City  
21 set a budget that was a hundred dollars of revenue  
22 next year, and had obligations of \$20, you could  
23 guarantee that the City would achieve that budget,  
24 right?

25 A. On that hypothetical, yes.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Okay. So, what my question, though,  
3 is from the standpoint of gauging feasibility,  
4 isn't it true as a plan becomes closer to this  
5 level of being guaranteed, it becomes more and  
6 more and more feasible, right?

7 A. Yes.

8 Q. Okay. So, I'm trying to understand  
9 why would it trouble you as, let's say, you pass  
10 exceptionally conservative, you're looking at it  
11 in the rearview mirror, that was like 10  
12 adjectives ago, okay? As a feasibility expert,  
13 why would you not be able to say that those are  
14 reasonable assumptions that led us to this point?

15 You see what I'm saying?

16 A. No. I didn't -- I didn't --

17 Q. Why have a bound dry on the  
18 conservatism side where you'll stop saying that an  
19 assumption is reasonable? Why would you say I  
20 object to that assumption, City, it's  
21 exceptionally conservative, when you're a  
22 feasibility expert?

23 A. I lost you. Okay. I've --

24 Q. Okay.

25 A. I've absolutely lost you. In the

1 - MARTI KOPACZ - VOLUME 1-  
2 sense of --

3 Q. Let's me ask it a better way.

4 MR. KANE: Were you done answering.

5 THE WITNESS: Yes.

6 MR. KANE: I'm saying, were you done  
7 answering?

8 THE WITNESS: I'm done answering. I  
9 lost him.

10 MR. HACKNEY: I didn't mean to  
11 interrupt. Let's try again.

12 THE WITNESS: Try again.

13 BY MR. HACKNEY:

14 Q. Let's say all the assumptions were  
15 exceptionally conservative, would you agree that  
16 you could find that plan feasible?

17 A. Arguably, yes.

18 Q. Would you also agree that under your  
19 methodology you would find those assumptions  
20 unreasonable?

21 A. What I said relative to my definition  
22 of my standard, okay, is that feasibility is a  
23 range, okay.

24 And I said at the point in time, when  
25 the plan is so conservative that it's a guarantee,

<p style="text-align: right;">Page 213</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 right, I think that feasibility tips over to best</p> <p>3 interest of creditors and clearly I'm not going</p> <p>4 there, okay?</p> <p>5 On the other hand, when -- as</p> <p>6 feasibility -- as assumptions individually and</p> <p>7 collectively, okay, move more to the middle or</p> <p>8 more down to the, you know, less conservative,</p> <p>9 more aggressive, right, the projections can be</p> <p>10 feasible, right, and that I believe that the</p> <p>11 test -- the definition, the standard that I've set</p> <p>12 out, establishes the -- the bar over which we need</p> <p>13 to get. Okay? And not how high up.</p> <p>14 And I've said that, quite frankly, I</p> <p>15 don't -- I didn't evaluate if there is more money</p> <p>16 available or if there's an alternative plan. I</p> <p>17 simply looked at this plan, assessed it</p> <p>18 individually, in totality and got comfortable that</p> <p>19 this is a feasible plan.</p> <p>20 Q. Okay. Going back to your continuum</p> <p>21 for assumptions, don't you agree that as a</p> <p>22 feasibility expert --</p> <p>23 A. Uh-huh.</p> <p>24 Q. -- you're much more concerned with</p> <p>25 aggressive assumptions than you are with</p>	<p style="text-align: right;">Page 215</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 aggressive assumptions in it.</p> <p>3 Q. I understand that's your opinion. I</p> <p>4 do.</p> <p>5 A. Okay.</p> <p>6 Q. But I'm trying to get a basic</p> <p>7 understanding of your methodology in approaching</p> <p>8 the question of feasibility?</p> <p>9 A. Yes.</p> <p>10 Q. Do you know anyone who is more</p> <p>11 knowledgeable about the likely impact of the</p> <p>12 citywide reappraisal than Mr. Evanko?</p> <p>13 A. I don't know if there's someone more</p> <p>14 knowledgeable.</p> <p>15 Q. And do you know what his view is of</p> <p>16 the likely impact?</p> <p>17 A. I do not know.</p> <p>18 Q. And I take it you haven't read his</p> <p>19 deposition?</p> <p>20 A. I have not.</p> <p>21 Q. Whatever his view is, you don't have</p> <p>22 a basis to disagree with it, correct? Or agree</p> <p>23 with it?</p> <p>24 A. Yes, I don't have any basis.</p> <p>25 MR. STEWART: Objection.</p>
<p style="text-align: right;">Page 214</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 conservative assumptions?</p> <p>3 A. I'm much more concerned with</p> <p>4 aggressive assumptions than I am with conservative</p> <p>5 assumptions? That isn't how I approached it.</p> <p>6 Q. Okay.</p> <p>7 A. Okay?</p> <p>8 Q. Do you remember we talked moments ago</p> <p>9 about if how all the assumptions were</p> <p>10 exceptionally conservative you could find the plan</p> <p>11 feasible?</p> <p>12 A. You could find the plan feasible.</p> <p>13 Q. If all the assumptions were wildly</p> <p>14 aggressive, could you find the plan feasible?</p> <p>15 A. I don't think so.</p> <p>16 Q. Okay. So do you see the difference</p> <p>17 between the nature of assumption from the</p> <p>18 standpoint of feasibility?</p> <p>19 MR. KANE: Objection. You can</p> <p>20 answer.</p> <p>21 Q. Aggressive assumptions threaten</p> <p>22 feasibility, conservative ones don't.</p> <p>23 A. Conservative ones don't, correct.</p> <p>24 Q. Okay.</p> <p>25 A. But this plan has conservative and</p>	<p style="text-align: right;">Page 216</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. By the way, do you know whether the</p> <p>3 citywide reappraisal will even be completed by</p> <p>4 fiscal year 2015?</p> <p>5 A. I'm not sure when it will be</p> <p>6 completed.</p> <p>7 Q. Is it reasonable for the forecast to</p> <p>8 assume that the citywide appraisal, citywide</p> <p>9 reappraisal will have an impact on assessed</p> <p>10 property values if it hasn't been completed?</p> <p>11 A. Say that again.</p> <p>12 Q. Is it reasonable for the City's</p> <p>13 forecasts of assessed property values to be</p> <p>14 impacted by a citywide reappraisal program that</p> <p>15 hasn't completed?</p> <p>16 A. I -- I'm not understanding. Okay.</p> <p>17 Q. Okay. So if the citywide reappraisal</p> <p>18 program won't finish until 2016 --</p> <p>19 A. Right.</p> <p>20 Q. -- is it reasonable to assume it will</p> <p>21 have an impact on property values in 2015?</p> <p>22 A. There could -- there would -- the</p> <p>23 appraisal, the reappraisal wouldn't have an impact</p> <p>24 before it was completed or implemented, other</p> <p>25 things might have an impact.</p>

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- MARTI KOPACZ - VOLUME 1-

Q. On assessed values?

A. Could be.

Q. Okay. But you would agree that to the extent you're basing your assumption, a person is basing their assumption that the reappraisal will have an impact on assessed values, do you agree that the reappraisal has to conclude before it can have the impact?

A. I would agree with that.

Q. And do you know when the reappraisal will conclude?

A. I don't.

Q. Would you agree -- let's talk about tax collection for a second, if we could, shift gears here.

A. Okay.

Q. Do you agree that the -- Detroit's tax collection enforcement mechanism has been broken for a number of years?

A. The percentage of tax that the City collects relative to the amount of tax that's due is poor.

Q. And I want to focus on the enforcement mechanism which is the tax collection

- MARTI KOPACZ - VOLUME 1-

efforts that's go into either property or income taxes, okay?

Would you agree that that enforcement mechanism has been dysfunctional for a number of years --

A. It has been --

Q. -- in Detroit?

A. It has been ineffective, yes.

Q. Do you agree that fixing the enforcement mechanism alone will have an improvement on the level of tax delinquencies in the City?

A. I believe it would, yes.

Q. In fact, you've expressed that opinion, haven't you?

A. I have expressed that opinion. Well that point of view, right.

Q. Yes.

A. Little O.

Q. Now, I hope I didn't ask this before and if I did I apologize. But you did not attempt to construct your own forecasts, correct?

A. Correct.

Q. Why didn't you?

- MARTI KOPACZ - VOLUME 1-

A. Because there would never have been enough time and the availability of information to do that, okay, would -- again, there wouldn't have been the time, the money, the anything to do that so...

Q. If you had had enough time -- have you ever heard of like in a scientific realm when they do double blind --

A. Yes.

Q. -- studies? Have you ever heard of that?

A. I have.

Q. You know that double blind study is where there's the drug that is being tested and then there's a placebo and the double blind is that the people don't even know what they're taking and then the researchers don't know who's taking what, right?

A. Right.

Q. Do you understand that the concept of using a double blind methodology is to protect against the types of biases that can actually even creep into things like pharmaceutical statistics?

A. Yes.

- MARTI KOPACZ - VOLUME 1-

Q. Do you agree if you'd had enough time, it would have been preferable for you to be able to construct your own forecast first and then compare it to the City's?

A. Oh, I think that's idealistic.

Q. It's -- it's idealistic?

A. Yeah.

Q. Given my idealism, would you agree that would have been preferable?

A. I'm not sure it's preferable or not. I mean, it would have been interesting. It would have been very interesting.

Q. You didn't have enough time to do that?

A. I wasn't asked to do that.

Q. And how much time would you have needed to construct a forecast?

A. I don't know.

Q. How much time did Ernst & Young and Conway MacKenzie need?

A. I don't know.

Q. Did they have adequate time?

A. I don't know.

Q. Would you -- do you -- is it your



<p style="text-align: right;">Page 221</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 opinion that there is a material risk that the</p> <p>3 City will not achieve the forecasts set forth in</p> <p>4 the plan?</p> <p>5 MR. STEWART: Objection.</p> <p>6 A. A material risk that the City will</p> <p>7 not achieve the -- I don't -- again, I don't know</p> <p>8 what "material" means.</p> <p>9 Q. I want to use your definition of</p> <p>10 material that you discussed earlier with Mr.</p> <p>11 Stewart.</p> <p>12 A. If I -- yes, if I thought there was a</p> <p>13 material risk that they wouldn't meet these</p> <p>14 projections, I would not have an opinion that the</p> <p>15 plan is feasible.</p> <p>16 Q. Okay. So to turn that around on you,</p> <p>17 it is your opinion that there is not a material</p> <p>18 risk that the City will fail to achieve its</p> <p>19 projections, correct?</p> <p>20 A. I believe that the City has a</p> <p>21 reasonable likelihood of meeting the commitments</p> <p>22 it's laid out in the plan and delivering essential</p> <p>23 services.</p> <p>24 Q. Okay. And using your definition of</p> <p>25 materiality, though, I want to confirm, you do not</p>	<p style="text-align: right;">Page 223</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 am assessing --</p> <p>3 Q. There isn't any such thing, I think,</p> <p>4 but I know what you mean.</p> <p>5 MR. KANE: Sounded to me like you</p> <p>6 were in the middle of a sentence. So if you</p> <p>7 were finished, if not, wait for him to --</p> <p>8 Q. That's all right. I didn't mean to</p> <p>9 be rude and interrupt. I didn't mean to be, I</p> <p>10 apologize.</p> <p>11 A. I didn't take it as that.</p> <p>12 Q. Let me put it this way; that is, in</p> <p>13 order to get your seal of approval, you needed to</p> <p>14 find that in your opinion the City's likely</p> <p>15 results will not be materially worse than the</p> <p>16 forecasted results?</p> <p>17 A. In the aggregate -- and I don't know</p> <p>18 how say it any differently than I've said it</p> <p>19 before or in my report, okay, I think the</p> <p>20 projections are reasonable. I think the City can</p> <p>21 meet its commitments in the plan. I think it can</p> <p>22 deliver services in the future.</p> <p>23 Q. You do not perceive a material risk</p> <p>24 of the City failing any of those; else you would</p> <p>25 not have opined it's feasible?</p>
<p style="text-align: right;">Page 222</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 see a material risk that the City will fail to</p> <p>3 live up to the plan's forecasts, correct?</p> <p>4 A. Again, I don't -- the City can meet</p> <p>5 its obligation -- I believe the City can meet its</p> <p>6 obligations in the plan of arrangement and deliver</p> <p>7 services, okay, within the confines of the</p> <p>8 projections.</p> <p>9 I don't believe for a minute that the</p> <p>10 projections will come in exactly as they've been</p> <p>11 forecast.</p> <p>12 Q. I understand. But in the aggregate,</p> <p>13 you would not have rendered your opinion if you</p> <p>14 believed a material risk of failure existed,</p> <p>15 correct?</p> <p>16 A. That is correct.</p> <p>17 Q. When it comes to evaluating the</p> <p>18 City's obligations, the ability to meet its</p> <p>19 obligation, Ms. Kopacz, in order to get your seal</p> <p>20 of approval, would you agree that you needed</p> <p>21 really to confirm that the actual results would</p> <p>22 not turn out to be materially worse than the</p> <p>23 forecasted results; that's what you're assessing,</p> <p>24 right?</p> <p>25 A. I'm not assessing future actuals. I</p>	<p style="text-align: right;">Page 224</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. If I thought the City couldn't pay</p> <p>3 its commitments, couldn't meet its commitments or</p> <p>4 it couldn't deliver services, I would have said --</p> <p>5 I would have found -- I would have had the opinion</p> <p>6 that the plan was not feasible.</p> <p>7 Q. Now, let me ask you another</p> <p>8 hypothetical question which is pretend that you</p> <p>9 conducted -- constructed your own forecasts.</p> <p>10 A. Okay.</p> <p>11 Q. Okay? Same time period, same subject</p> <p>12 matter as the forecasts that are in the plan. If</p> <p>13 you found that the City's forecasts were 50</p> <p>14 percent more conservative than yours, would you</p> <p>15 have still found the City's forecast to be</p> <p>16 reasonable, using your definition of</p> <p>17 reasonableness?</p> <p>18 A. I don't know.</p> <p>19 Q. Are you able to give me a percentage</p> <p>20 deviation from the hypothetical forecast that you</p> <p>21 constructed at which point you would say that the</p> <p>22 City's forecasts were unreasonable?</p> <p>23 A. I don't think I could.</p> <p>24 Q. All right. Let me direct you to your</p> <p>25 report in Section F.</p>

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<p style="text-align: right;">Page 225</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Section F.</p> <p>3 MR. LERNER: Section what?</p> <p>4 MR. HACKNEY: F.</p> <p>5 A. What page?</p> <p>6 Q. Let me see --</p> <p>7 A. I think it's the expenses.</p> <p>8 Q. No, these are revenues.</p> <p>9 A. These are revenues.</p> <p>10 Q. So take a look at Page 39.</p> <p>11 A. Page 39?</p> <p>12 Oh, yeah, revenues. Uh-huh.</p> <p>13 Q. Okay.</p> <p>14 A. Can we take a break?</p> <p>15 Q. Of course, absolutely.</p> <p>16 A. Thank you.</p> <p>17 Q. We can always take a break when you</p> <p>18 want to.</p> <p>19 A. I need a beverage. I need Diet Coke.</p> <p>20 THE VIDEOGRAPHER: The time now is</p> <p>21 approximately 2:30 and we're going off the</p> <p>22 record. This is the end of Disk Number 3.</p> <p>23 (Whereupon, there was a brief recess</p> <p>24 in the proceedings.)</p> <p>25 THE VIDEOGRAPHER: The time now is</p>	<p style="text-align: right;">Page 227</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. I'd like to direct your attention to</p> <p>4 Page 40 where you begin your discussion of</p> <p>5 municipal income tax revenues.</p> <p>6 Do you see that?</p> <p>7 A. I do.</p> <p>8 Q. And then, generally, this is broken</p> <p>9 down into an analysis of the ten-year forecast</p> <p>10 without RRI and then with RRI, correct?</p> <p>11 A. Correct.</p> <p>12 Q. And then within each section are your</p> <p>13 opinions regarding the assumptions that went into</p> <p>14 the ten-year forecast, correct?</p> <p>15 A. I'm not sure "opinion" is right.</p> <p>16 It's -- it is -- this is an analysis and a</p> <p>17 summarization of what is in the projections.</p> <p>18 Q. Okay. So that's a good way to</p> <p>19 describe it.</p> <p>20 If you when you're reading Section F,</p> <p>21 what you generally see are two things, right? You</p> <p>22 either see your narrative description of what the</p> <p>23 City did?</p> <p>24 A. Uh-huh.</p> <p>25 Q. Or your assessment of what the City</p>
<p style="text-align: right;">Page 226</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 approximately 2:44 p.m. We're back on the</p> <p>3 record. This is the beginning of Disk Number</p> <p>4 4.</p> <p>5 BY MR. HACKNEY:</p> <p>6 Q. Ms. Kopacz, welcome back.</p> <p>7 A. Thank you.</p> <p>8 Q. To the extent that you relied on</p> <p>9 historical data in assessing the assumptions of</p> <p>10 the City in compiling its forecasts, is that</p> <p>11 historical data disclosed in the body of your</p> <p>12 report?</p> <p>13 A. In the body of my report? I don't</p> <p>14 believe so.</p> <p>15 Q. You don't believe so?</p> <p>16 A. Right.</p> <p>17 Q. Okay. So there could be historical</p> <p>18 data that you considered that's listed at</p> <p>19 Exhibit 2 that informed your assessment of</p> <p>20 reasonableness?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. So, if you could turn to Page</p> <p>23 39, this is the section of the report where you</p> <p>24 talk about the macro assumptions that go into the</p> <p>25 City's revenue forecasts; is that correct?</p>	<p style="text-align: right;">Page 228</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 did, correct?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. So, turn your attention, if</p> <p>5 you would, ma'am, to -- well, let's actually look</p> <p>6 at Page 41, okay?</p> <p>7 A. Okay.</p> <p>8 Q. Now, with respect to the ten-year</p> <p>9 plan without RRIs, you first found that the City's</p> <p>10 year-over-year taxable income growth was .85</p> <p>11 percent for city residents, 1.18 percent for</p> <p>12 non-residents, and 1.63 percent for corporations.</p> <p>13 Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. And that's the part where you're</p> <p>16 narratively describing what the City's assumptions</p> <p>17 are, right?</p> <p>18 A. Right. What the projections -- what</p> <p>19 the projections are.</p> <p>20 Q. Okay. Now, take .85 percent as an</p> <p>21 example of the year-over-year income growth for</p> <p>22 city residents.</p> <p>23 Do you see where I'm indicating</p> <p>24 there?</p> <p>25 A. Uh-huh.</p>

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<p style="text-align: right;">Page 229</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Is that .85 percent in real or</p> <p>3 current dollars?</p> <p>4 A. It's in nominal dollars.</p> <p>5 Q. So nominal dollars means current</p> <p>6 dollars, right?</p> <p>7 A. Well, I don't -- nominal dollars</p> <p>8 means dollars that have not been adjusted for the</p> <p>9 time value of money.</p> <p>10 Q. Or -- or inflation?</p> <p>11 A. Or inflation.</p> <p>12 Q. Okay. So, if I use the phrase "real</p> <p>13 dollars" to refer to inflation adjusted and I use</p> <p>14 "nominal dollars" to refer to percentages that are</p> <p>15 not inflation adjusted, will you understand what</p> <p>16 I'm talking about?</p> <p>17 A. We can -- we can set up that</p> <p>18 definition, yes.</p> <p>19 Q. You understand the distinction,</p> <p>20 right?</p> <p>21 A. Yes.</p> <p>22 Q. Because if I say wages are going to</p> <p>23 increase two percent from this year every year for</p> <p>24 the next five, in nominal dollars, you understand</p> <p>25 that you would calculate that by looking at wages</p>	<p style="text-align: right;">Page 231</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 dollars is the inclusion of an adjustment either</p> <p>3 for the time value of money or for inflation as</p> <p>4 the case may be, correct?</p> <p>5 A. Some adjustment, correct.</p> <p>6 Q. So if I say that there's a two</p> <p>7 percent adjustment in real dollars or in inflation</p> <p>8 adjusted dollars, you understand that that number</p> <p>9 comes embedded with an adjustment that's already</p> <p>10 been made for inflation, correct?</p> <p>11 It's two percent over and above the</p> <p>12 inflation?</p> <p>13 A. There are a series of -- there are</p> <p>14 more than one assumption going into that number.</p> <p>15 Q. Uh-huh. Exactly.</p> <p>16 A. Okay?</p> <p>17 Q. And if I present it as 2 percent,</p> <p>18 that is the amount of noninflationary increase,</p> <p>19 correct? Or is it cumulative of inflation?</p> <p>20 MR. STEWART: Can I have that reread?</p> <p>21 Do you want to just rephrase it?</p> <p>22 BY MR. HACKNEY:</p> <p>23 Q. Sure. So, the -- let's put it this</p> <p>24 way.</p> <p>25 If there is -- let's say that I give</p>
<p style="text-align: right;">Page 230</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 today and then simply applying two percent to the</p> <p>3 base number for year one, two percent to the base</p> <p>4 number for year two and so on and so forth,</p> <p>5 correct?</p> <p>6 A. It builds from year to year.</p> <p>7 Q. Oh, so it's two percent of the prior</p> <p>8 year?</p> <p>9 A. Right. If Page 42 shows the</p> <p>10 year-by-year growth assumptions.</p> <p>11 Q. Okay. So in the nominal dollar</p> <p>12 calculation, if a forecast is two percent nominal</p> <p>13 dollars year over year, year one would be</p> <p>14 determined by taking the arithmetical calculation</p> <p>15 of two percent over the base year, correct?</p> <p>16 A. Yes.</p> <p>17 Q. Year two would be done by taking a</p> <p>18 two percent increase over --</p> <p>19 A. Year one.</p> <p>20 Q. -- year one?</p> <p>21 A. Yes.</p> <p>22 Q. And so forth, correct?</p> <p>23 A. Uh-uh.</p> <p>24 Q. Now, you understand that the</p> <p>25 distinction between nominal dollars and real</p>	<p style="text-align: right;">Page 232</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 you an inflation adjusted year-over-year increase</p> <p>3 in income of 2 percent, and a nominal dollar</p> <p>4 increase of 2 percent year over year, which one</p> <p>5 represents higher incomes? Which one will produce</p> <p>6 higher incomes?</p> <p>7 A. The -- they could -- they could --</p> <p>8 they could end up mathematically with the same</p> <p>9 number. Okay? There's not an inflation</p> <p>10 assumption to my knowledge in here.</p> <p>11 Q. I know there's not in here. I'm</p> <p>12 trying to get our terminology straight as we begin</p> <p>13 to ask questions later.</p> <p>14 A. Okay.</p> <p>15 Q. So --</p> <p>16 A. Can we just use inflation adjusted or</p> <p>17 not inflation adjusted?</p> <p>18 Q. Sure. That's fine. And nominal</p> <p>19 dollars are not inflation adjusted.</p> <p>20 A. Nominal dollars are not inflation</p> <p>21 adjusted in this, right.</p> <p>22 Q. With respect to inflation adjustments</p> <p>23 though, do you understand that it's not presented</p> <p>24 in the percentage increase typically, that the</p> <p>25 inflation adjustment is applied to the base first?</p>

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<p style="text-align: right;">Page 233</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes, it can be, right.</p> <p>3 Q. Okay. I'm talking about the typical</p> <p>4 presentment by government agencies and so forth.</p> <p>5 A. I -- I'm not going to say what's</p> <p>6 typical. Okay?</p> <p>7 Q. Well, do you understand that if you</p> <p>8 wanted to relate inflation adjusted dollars to</p> <p>9 noninflation adjusted dollars that you -- you have</p> <p>10 to add in the amount of the inflation adjustment</p> <p>11 in order to get an apples to apples comparison of</p> <p>12 total increase?</p> <p>13 A. If you want to compare non --</p> <p>14 noninflation adjustment estimates to inflation</p> <p>15 adjustment estimates, yes, you must add in the</p> <p>16 inflation percentage assumption.</p> <p>17 Q. Right. To -- yes. So if you want to</p> <p>18 take inflation adjusted percentages and compare</p> <p>19 them to nominal percentages on an absolute basis,</p> <p>20 you have to add in the inflation adjustment to the</p> <p>21 inflation adjusted dollars so that you can see the</p> <p>22 nominal dollar comparison.</p> <p>23 A. I think you just did that backwards.</p> <p>24 Q. Okay. I think I may have, but I</p> <p>25 thought that I didn't. Because I --</p>	<p style="text-align: right;">Page 235</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Uh-huh.</p> <p>3 A. Okay? And the average are, in fact,</p> <p>4 the numbers that you recited in the beginning of</p> <p>5 this section --</p> <p>6 Q. Right.</p> <p>7 A. -- 0.85, but it shows, if you will,</p> <p>8 a -- for each of the types of income tax,</p> <p>9 resident, nonresident and corporation, it makes</p> <p>10 individual assumptions for each year.</p> <p>11 Q. Correct.</p> <p>12 A. Okay? So there's -- there's a lot</p> <p>13 that goes into that.</p> <p>14 Q. Okay.</p> <p>15 A. Okay? To get to that average.</p> <p>16 Q. But in terms of historical data that</p> <p>17 you used to judge reasonableness --</p> <p>18 A. Right.</p> <p>19 Q. -- did you rely on any historical</p> <p>20 data of taxable income other than fiscal years</p> <p>21 2011 to '13?</p> <p>22 A. Did we -- I'm -- I'm pretty confident</p> <p>23 that we looked at a much longer time frame on</p> <p>24 taxable income revenues.</p> <p>25 Q. Historical?</p>
<p style="text-align: right;">Page 234</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. You thought that you didn't.</p> <p>3 Q. -- well, I'll show you some later.</p> <p>4 A. Okay.</p> <p>5 Q. We'll try to use specifics.</p> <p>6 A. Okay.</p> <p>7 Q. But it's absolutely possible that I</p> <p>8 could be getting it wrong, so we'll see.</p> <p>9 A. Okay.</p> <p>10 Q. Now, do you see here that you say</p> <p>11 that "the taxable income growth assumptions appear</p> <p>12 to be reasonably conservative."</p> <p>13 Do you see that?</p> <p>14 A. Uh-huh.</p> <p>15 Q. And this is your opinion with respect</p> <p>16 to the assump -- assumed year-over-year taxable</p> <p>17 income growth I just identified, correct?</p> <p>18 A. Yes.</p> <p>19 Q. Okay. Now, is that opinion based on</p> <p>20 anything other than the recent uptick in taxable</p> <p>21 income in 2011 and 2013?</p> <p>22 A. The -- I can answer this more easily</p> <p>23 if we look at 42 -- Page 42 where you see the</p> <p>24 year-over-year projections for each of these</p> <p>25 categories.</p>	<p style="text-align: right;">Page 236</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Historical.</p> <p>3 Q. You believe that you did?</p> <p>4 A. Because if there was a down and</p> <p>5 there's then beginning to tick up now.</p> <p>6 Q. Okay. So do you know what the</p> <p>7 ten-year historical taxable income was in the</p> <p>8 City?</p> <p>9 A. Not off the top of my head.</p> <p>10 Q. Now, what you present here is that</p> <p>11 residents' taxable income growth averaged</p> <p>12 3.4 percent for that three-year period, correct?</p> <p>13 A. Right, right.</p> <p>14 Q. And that is -- that's more than</p> <p>15 quadruple the assumed average, right?</p> <p>16 A. It is the estimate for fiscal '14/'15</p> <p>17 is about half of that rate. Okay?</p> <p>18 Q. Right. So --</p> <p>19 A. But mathematically, the ten-year</p> <p>20 average, right, is, what, a third of what it's</p> <p>21 been the last couple of years or more?</p> <p>22 Q. Does it make sense to you that the</p> <p>23 City's residents' taxable income growth tails off</p> <p>24 substantially after the first two years?</p> <p>25 A. It does in the sense that I think</p>

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<p style="text-align: right;">Page 237</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the -- the assumption is based on the recovery in</p> <p>3 income from the recession in '08 and '09, and even</p> <p>4 before that, the -- the deterioration in the</p> <p>5 economy in Southeast Michigan as a result of the</p> <p>6 automotive thing. So there's a period now where</p> <p>7 incomes are coming back up and -- but to assume</p> <p>8 that that trajectory continues for ten years would</p> <p>9 be an aggressive assumption.</p> <p>10 Q. So, is it that 2011, 2012 and 2013,</p> <p>11 because they come on the heels of the recession,</p> <p>12 are not representative --</p> <p>13 A. As a percentage.</p> <p>14 Q. -- years when it comes to projecting</p> <p>15 future income growth?</p> <p>16 A. That would be -- I believe that's the</p> <p>17 assumptions that Ernst &amp; Young made in this, and I</p> <p>18 would conclude that it was -- that's a reasonable</p> <p>19 assumption to make, that you're not going to</p> <p>20 continue that high rate of increases ad infinitum.</p> <p>21 Q. Take -- sorry. Take a look at fiscal</p> <p>22 year 2016 for residents. The projected taxable</p> <p>23 income growth is .46 percent, right?</p> <p>24 A. Correct.</p> <p>25 Q. That's about one-ninth of the</p>	<p style="text-align: right;">Page 239</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So let's break it down.</p> <p>3 As to how Ernst &amp; Young got .46</p> <p>4 percent, you don't know, correct?</p> <p>5 A. I -- I don't know specifically,</p> <p>6 correct.</p> <p>7 Q. But in evaluating whether,</p> <p>8 irrespective of how they got it, whether that</p> <p>9 number was reasonable, you came to the conclusion</p> <p>10 that it was?</p> <p>11 A. I did.</p> <p>12 Q. What's the basis for that conclusion?</p> <p>13 A. The basis for that conclusion is that</p> <p>14 the City has been increasing income tax over the</p> <p>15 last few years.</p> <p>16 Q. Increasing income tax?</p> <p>17 A. Municipal income taxes have been</p> <p>18 growing.</p> <p>19 Q. The revenues?</p> <p>20 A. The revenues have been growing.</p> <p>21 Q. Not the rate?</p> <p>22 A. Not the rate. The rate stayed the</p> <p>23 same.</p> <p>24 Q. Got it. Sorry to interrupt.</p> <p>25 A. Okay? They have been growing --</p>
<p style="text-align: right;">Page 238</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 three-year trailing average, correct?</p> <p>3 A. I don't know what the -- the -- I'd</p> <p>4 have to do that math, but it's a half percent</p> <p>5 versus 3 1/2, right?</p> <p>6 Q. Right. What's the basis for your</p> <p>7 conclusion that that's a reasonable assumption for</p> <p>8 fiscal year 2016?</p> <p>9 A. As -- as I said, I think it is --</p> <p>10 it's appropriate, it's reasonable. It's</p> <p>11 reasonably conservative to make the assumption</p> <p>12 that at some point the percentage of growth will</p> <p>13 begin to flatten out in terms of income growth.</p> <p>14 Q. Understood that that's your general</p> <p>15 opinion, but how do you specifically arrive at</p> <p>16 .46 percent?</p> <p>17 A. I did not.</p> <p>18 Q. I understand.</p> <p>19 A. This is -- right. This is what -- I</p> <p>20 looked at this and said, you know, does that look</p> <p>21 reasonable in the context of everything we know,</p> <p>22 and -- and I concluded that I am not -- that that</p> <p>23 assumption is reasonable in the context of trying</p> <p>24 to project income tax over the next ten years for</p> <p>25 the City.</p>	<p style="text-align: right;">Page 240</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Okay.</p> <p>3 A. -- right? And I would expect that</p> <p>4 they would continue to grow, but probably not as</p> <p>5 quickly as they have in the recent past giving --</p> <p>6 given that the City is coming off of a recession</p> <p>7 and a prior significant decline in its major</p> <p>8 industry.</p> <p>9 Q. Why not?</p> <p>10 A. Because I think this is a prudent</p> <p>11 assumption that doesn't -- that it -- I mean,</p> <p>12 again, you could say it could grow by 10 percent,</p> <p>13 right? You could get really bullish and say it</p> <p>14 could grow at 10 percent, but is that going to be</p> <p>15 reasonable? You don't want to -- I wouldn't want</p> <p>16 to have to make a commitment to pay people based</p> <p>17 on an aggressive assumption.</p> <p>18 Q. What is the typical income recovery</p> <p>19 period after a recession?</p> <p>20 A. I don't know.</p> <p>21 Q. What was the income recovery profile</p> <p>22 after the Great Depression?</p> <p>23 A. I don't know.</p> <p>24 Q. Do you agree that the Great -- that</p> <p>25 the recession we just went through is often called</p>

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<p style="text-align: right;">Page 241</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the Great Recession?</p> <p>3 A. The Great Recession, right. Yes.</p> <p>4 Q. Yes? And that's sort of an homage to</p> <p>5 the fact that it was -- it was so serious, right?</p> <p>6 It was almost like the Great Depression, right?</p> <p>7 A. I don't know where -- I don't know</p> <p>8 where it comes from, but yes, it's been long.</p> <p>9 Q. So how -- how -- how can we know that</p> <p>10 taxable incomes as an economic matter shouldn't be</p> <p>11 expected to grow at the 3.4 percent rate for a</p> <p>12 decade?</p> <p>13 A. We don't.</p> <p>14 Q. Okay. So how do we test your finding</p> <p>15 that .46 percent is reasonable?</p> <p>16 A. It's not unreasonable.</p> <p>17 Q. How do we test that?</p> <p>18 A. I don't know that we do.</p> <p>19 Q. Do you know of a way that we could</p> <p>20 test that opinion?</p> <p>21 A. I don't know that we can.</p> <p>22 Q. Do you see that taxable income growth</p> <p>23 for nonresidents is 3.5 percent, correct?</p> <p>24 A. 3.5 -- yes, 3.4 versus -- yes, 3.5.</p> <p>25 Q. Is it true that the -- the taxable</p>	<p style="text-align: right;">Page 243</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Nonresident -- or I should say</p> <p>3 resident taxable income growth over the prior</p> <p>4 three years was about --</p> <p>5 A. Has been a little bit less.</p> <p>6 Q. -- 97 percent of nonresident growth,</p> <p>7 right?</p> <p>8 A. Well, I think you're -- I think you</p> <p>9 are trying to be very precise with a number that</p> <p>10 is an average of a lot of other -- of a variety of</p> <p>11 numbers. So, but yes, if you want to take 3.4</p> <p>12 over 3.5 it will be --</p> <p>13 Q. About 97 percent, right?</p> <p>14 A. If that's the math, yes.</p> <p>15 Q. And then -- but when you look at</p> <p>16 .85 percent for City residents in the forecast on</p> <p>17 average over the next ten years, and you compare</p> <p>18 it to 1.18 percent, do you see that that's more on</p> <p>19 the order of three-quarters?</p> <p>20 A. But that doesn't -- I mean, again,</p> <p>21 that doesn't concern me. I'm looking at '14, '15,</p> <p>22 '16, I'm looking at that nonresidents, working in</p> <p>23 the City of Detroit, okay, versus City residents</p> <p>24 in the City of Detroit, I would expect</p> <p>25 nonresidents' income to grow faster than</p>
<p style="text-align: right;">Page 242</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 income growth is fairly consistent between</p> <p>3 residents and nonresidents in the City in your</p> <p>4 experience?</p> <p>5 A. It has been. Uh-huh.</p> <p>6 Q. It has been?</p> <p>7 A. It has been.</p> <p>8 Q. And yet, in the presentation,</p> <p>9 wouldn't you agree that the forecast for City</p> <p>10 residents year-over-year income growth is more</p> <p>11 conservative than the historical evidence suggests</p> <p>12 in terms of disparity from nonresidents?</p> <p>13 Let me put it to you another way.</p> <p>14 A. Yes, please.</p> <p>15 Q. Do you see that in the three prior</p> <p>16 years taxable income growth for residents versus</p> <p>17 nonresidents was something like 97 percent of what</p> <p>18 nonresidents saw?</p> <p>19 A. Can you tell me where you're getting</p> <p>20 the data --</p> <p>21 Q. Whatever 3.4 is over 3.5?</p> <p>22 A. -- where are you getting the data?</p> <p>23 Q. So if you put 3.4 over 3.5, and think</p> <p>24 of 135th, okay, being about 3 percent?</p> <p>25 A. Uh-huh.</p>	<p style="text-align: right;">Page 244</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 residents --</p> <p>3 Q. Why?</p> <p>4 A. -- based on this general economic --</p> <p>5 you've got so many more residents at the poverty</p> <p>6 level in the City versus the suburbs.</p> <p>7 Q. Why didn't it do that in the prior</p> <p>8 three years?</p> <p>9 A. Could be as a result of number of</p> <p>10 people working.</p> <p>11 Q. How would the number of people</p> <p>12 working impact the average growth of the income of</p> <p>13 people that were working?</p> <p>14 A. No, no, no. The -- the --</p> <p>15 Q. Let me -- let me ask it again.</p> <p>16 So, you would agree that in the prior</p> <p>17 three years, 2011, 2012, 2013, there was not a</p> <p>18 significant differential between the</p> <p>19 year-over-year income growth of residents versus</p> <p>20 nonresidents?</p> <p>21 A. I would agree with that, yes.</p> <p>22 Q. In the projections, however, there is</p> <p>23 a material difference that's presented.</p> <p>24 A. I'm not sure I would agree with you</p> <p>25 that there's a material difference. There is a</p>

<p style="text-align: right;">Page 245</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 difference, but I'm not sure I would say it's  3 material.  4 Q. Okay. What is the basis for the  5 distinction between resident and nonresident  6 percentage year-over-year taxable income growth?  7 A. What is the distinction.  8 Q. The basis for the distinction.  9 A. It has -- the difference is around  10 wage growth versus employment growth. Okay? And  11 there are each of those estimates Ernst &amp; Young  12 made independently. Okay? And so there is a --  13 we have to look at each of the categories, and  14 there's some more charts back here.  15 Q. But I mean on wage growth, I'm saying  16 this is an assumption that you said is reasonable.  17 Nonresidents' year-over-year taxable income growth  18 will grow on average 1.18 percent from fiscal year  19 2014 to '23, but resident growth will only be  20 .85 percent.  21 You've said that's a reasonable  22 assumption, correct?  23 A. In totality, I believe all these  24 assumptions are reasonable.  25 Q. Understood. What's the basis for</p>	<p style="text-align: right;">Page 247</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 assumptions.  3 A. You have to have wage and employees  4 to make income.  5 Q. Understood. We're talking about the  6 residents' income, right?  7 A. You want -- okay, residents.  8 Q. Right. I'm talking about resident  9 versus nonresident income growth on Page 41.  10 A. Right.  11 Q. Just so we're communicating, I'm  12 talking about .85 percent versus 1.18 percent.  13 A. Right.  14 Q. What's the basis for the distinction?  15 A. The basis for the distinction is for  16 each of those, whether you're looking at residents  17 or nonresidents, okay, there are different  18 assumptions for wage growth and employment growth  19 in each of those categories of taxpayers, and it  20 is an aggregate of, in essence, four separate  21 assumptions that are blended together and compared  22 so that the math is different.  23 Q. Right. But with respect to the  24 different assumptions that underlie resident  25 versus nonresident income growth, what is the</p>
<p style="text-align: right;">Page 246</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 this one?  3 A. The --  4 Q. This differential.  5 A. I feel like we're going in circles.  6 The basis for the assumptions?  7 Q. I under -- so let me -- let me --  8 A. Different assumptions that underlie  9 wage growth and employment growth --  10 Q. Understood.  11 A. -- For each of these distinct group  12 of taxpayers.  13 Q. Understood.  14 A. Right.  15 Q. What is the basis for the distinction  16 between resident and nonresident income growth in  17 the forecast?  18 A. Okay. Different assumptions of how  19 wages grow for residents versus nonresidents and  20 differences in assumptions between income growth  21 for residents -- I mean employment growth for  22 residents and employment growth for nonresidents.  23 Q. Okay. So put employment growth to  24 the one side. I'm just talking about income  25 growth. I understand there are different</p>	<p style="text-align: right;">Page 248</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 basis for them?  3 A. Mr. Hackney, I am sorry, but I can't  4 answer it any differently than what I've answered.  5 Q. So, let me first say that employment  6 growth is a separate assumption that's addressed  7 on Page 43 and that I'm holding constant. I'm  8 just trying to understand --  9 A. No.  10 Q. -- what the basis for the --  11 A. You can't do that.  12 Q. Why not?  13 A. Because to get to income growth,  14 right, you have to use both employment growth and  15 wage growth.  16 Q. Why?  17 A. Why? Let me try to -- let me try to  18 construct a model for you -- for you and I. Okay?  19 I'm trying to think -- there are, to get to income  20 tax you have two components.  21 Q. I totally agree to get to income  22 tax --  23 A. That's what we just talked about.  24 Q. No. We were talking about income  25 growth.</p>

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<p style="text-align: right;">Page 249</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. This is tax -- this is municipal</p> <p>3 income tax. Okay?</p> <p>4 MR. KANE: Go ahead. Finish your</p> <p>5 answer.</p> <p>6 BY MR. HACKNEY:</p> <p>7 Q. Okay. I understand -- okay. Let me</p> <p>8 take a step back.</p> <p>9 Are you saying that the .85 percent</p> <p>10 versus the 1.18 percent are findings of two</p> <p>11 different sets of assumptions that impact taxable</p> <p>12 income growth; one of those assumptions being wage</p> <p>13 growth and the other assumption being employment</p> <p>14 growth?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. In order to discuss this</p> <p>17 differential then, are you saying that you have to</p> <p>18 drop down to the level of wage growth --</p> <p>19 A. Yes.</p> <p>20 Q. -- and employment growth --</p> <p>21 A. Yes.</p> <p>22 Q. -- and talk about those things?</p> <p>23 A. Yes.</p> <p>24 Q. Okay. Okay. Understood. That's</p> <p>25 helpful to me. One last question though.</p>	<p style="text-align: right;">Page 251</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 for fiscal year 2014 through fiscal year 2023?</p> <p>3 A. Yes.</p> <p>4 Q. As far as I can tell, in your report,</p> <p>5 you do not present a comparable historical number</p> <p>6 for that.</p> <p>7 A. I don't.</p> <p>8 Q. Are you aware of one?</p> <p>9 A. Am I aware of one? No.</p> <p>10 Q. Okay.</p> <p>11 A. Not that I recall.</p> <p>12 Q. Do you know what the basis for this</p> <p>13 1.25 percent assumption is?</p> <p>14 A. No.</p> <p>15 Q. Okay. So let's get back to kind of</p> <p>16 our two step.</p> <p>17 Somebody at Ernst &amp; Young decided to</p> <p>18 use 1.25 percent, correct?</p> <p>19 A. Correct.</p> <p>20 Q. You don't know why they decided that,</p> <p>21 right?</p> <p>22 A. Not as I sit here today, no.</p> <p>23 Q. Okay. Now, you do know that you have</p> <p>24 found that this estimate appears reasonable,</p> <p>25 correct?</p>
<p style="text-align: right;">Page 250</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 The historical taxable income growth</p> <p>3 of 3 -- 3.4 percent, are those inflation adjusted</p> <p>4 numbers or are they nominal dollars?</p> <p>5 A. I would say they are nominal dollars.</p> <p>6 I mean, they're -- they're not -- they're not</p> <p>7 adjusted -- they're -- they're actuals.</p> <p>8 Q. Do you know where that number comes</p> <p>9 from?</p> <p>10 A. Do I know as I sit here today? No.</p> <p>11 Q. Okay. Do you know whether the</p> <p>12 Michigan State Department of Treasury presents</p> <p>13 income growth numbers in inflation adjusted or</p> <p>14 nominal dollars?</p> <p>15 A. I don't recall.</p> <p>16 Q. Okay. Let's drop down, like you</p> <p>17 said, and talk about wage growth then.</p> <p>18 A. Okay.</p> <p>19 Q. Okay? Do you see that average wage</p> <p>20 growth on Page 42 in the ten-year plan without</p> <p>21 RRI's. Do you see that section?</p> <p>22 A. Uh-huh. Yes.</p> <p>23 Q. Do you see that the ten-year plan</p> <p>24 estimates that for both City residents and</p> <p>25 nonresidents average wage growth of 1.25 percent</p>	<p style="text-align: right;">Page 252</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Correct.</p> <p>3 Q. And let me -- let me quibble were you</p> <p>4 a little bit.</p> <p>5 What's the difference between when</p> <p>6 something is reasonable and when something appears</p> <p>7 reasonable? Is there a difference in your</p> <p>8 opinion?</p> <p>9 A. I would say is reasonable you can</p> <p>10 only make after the -- after event, right? It</p> <p>11 appears reasonable.</p> <p>12 Q. Okay.</p> <p>13 A. Looking at it prospectively.</p> <p>14 Q. So what was your basis for -- your</p> <p>15 conclusion that 1.25 percent average wage growth</p> <p>16 between fiscal year 2014 and 2023 appears to be a</p> <p>17 reasonable assumption?</p> <p>18 A. The 1.25 over a ten-year period,</p> <p>19 where you had historically both a decrease in</p> <p>20 taxable income and an increase in taxable income</p> <p>21 appears to me to be a reasonable, long-term</p> <p>22 projection of the overall average increase.</p> <p>23 Q. Are you aware of any way to test that</p> <p>24 conclusion?</p> <p>25 A. To test that conclusion?</p>

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<p style="text-align: right;">Page 253</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. To test the reasonableness of your</p> <p>3 assumption?</p> <p>4 A. I don't know how you would test the</p> <p>5 assumption until after it happens.</p> <p>6 Q. Okay. But if the -- if the Court</p> <p>7 wants to test your finding that this is a</p> <p>8 reasonable assumption, you're not aware of a way</p> <p>9 it can test it, correct?</p> <p>10 A. No, I am not.</p> <p>11 Q. Okay. So what is your basis, though,</p> <p>12 for finding that 1.25 percent is a good average?</p> <p>13 A. I looked at all of the information</p> <p>14 that was available, okay, about all of these</p> <p>15 topics, all of these assumptions, both the revenue</p> <p>16 side and the expense side. I looked at the recent</p> <p>17 tax history. I talked to the people who made the</p> <p>18 assumptions, asked them questions about how they</p> <p>19 came up with this assumption or that assumption or</p> <p>20 what they did and, you know, how much if you</p> <p>21 changed this, how much would that change. Okay?</p> <p>22 And concluded that, in totality, the estimates</p> <p>23 contained in the projections provide a reasonable</p> <p>24 basis for forecasting what the City is going to do</p> <p>25 from an economic perspective during the life of</p>	<p style="text-align: right;">Page 255</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. I know we looked at some federal</p> <p>3 estimates, right?</p> <p>4 Q. So what was the prior experience with</p> <p>5 income with average wage growth?</p> <p>6 A. I would have to go back and look at</p> <p>7 the historical information that we looked at at</p> <p>8 the time to be able to answer that today because I</p> <p>9 don't recall.</p> <p>10 Q. But do you have like workpapers that</p> <p>11 show that?</p> <p>12 A. There would be documents that we</p> <p>13 looked at that showed that. I'm sure.</p> <p>14 Q. Okay. And they'll be -- they'll be</p> <p>15 somewhere on Exhibit 2?</p> <p>16 A. Tell be somewhere on Exhibit 2 or</p> <p>17 they'll be somewhere in the -- in the data room.</p> <p>18 Q. Okay. And what did they show? You</p> <p>19 can't remember the specifics, but what time period</p> <p>20 did they show?</p> <p>21 A. I can't remember. I remember that</p> <p>22 income taxes went down and income taxes have</p> <p>23 started to grow back.</p> <p>24 Q. Okay. Was it aggregate income tax</p> <p>25 data that you reviewed?</p>
<p style="text-align: right;">Page 254</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 this -- these projections.</p> <p>3 Q. Understood.</p> <p>4 A. And I didn't -- you know, again --</p> <p>5 Q. You didn't -- did you not consider</p> <p>6 whether any individual assumption was reasonable</p> <p>7 standing by itself? You only considered them in</p> <p>8 the aggregate?</p> <p>9 A. I looked at all of the individual</p> <p>10 assumptions.</p> <p>11 Q. You did?</p> <p>12 A. I did. Okay?</p> <p>13 Q. Okay. So let's talk about this one.</p> <p>14 A. Right.</p> <p>15 Q. What's your basis for your opinion</p> <p>16 that 1.25 percent appears reasonable?</p> <p>17 A. This -- it is reasonable because it</p> <p>18 is not either too low or too high when you look at</p> <p>19 all the surrounding data points.</p> <p>20 Q. What are those data points?</p> <p>21 A. It is the prior experience in terms</p> <p>22 of what's been collected over time, all that,</p> <p>23 right? It's looking at information that comes</p> <p>24 from the state.</p> <p>25 Q. Okay.</p>	<p style="text-align: right;">Page 256</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. I don't recall.</p> <p>3 Q. Do you remember when we were looking</p> <p>4 at taxable income growth you had some historical</p> <p>5 comparisons that you showed here in your text,</p> <p>6 right?</p> <p>7 A. That's correct.</p> <p>8 Q. But here you didn't present any,</p> <p>9 correct, in the body of your report?</p> <p>10 A. There are other data points shown on</p> <p>11 Page 47.</p> <p>12 Q. Aren't those forecasted data points?</p> <p>13 A. They are forecasted data points.</p> <p>14 Q. Okay. Did you rely on any</p> <p>15 historical -- so is -- are these the data points</p> <p>16 that you relied upon these forecasts?</p> <p>17 A. These are forecasts made by other</p> <p>18 forecasting entities that we looked at to analyze</p> <p>19 and assess the forecasts for wage growth and on</p> <p>20 Page 48 for employment growth that the City used.</p> <p>21 Q. Okay. So, for example, in the</p> <p>22 ten-year without reinvestment scenario, do you see</p> <p>23 that box on Page 47?</p> <p>24 A. Yes.</p> <p>25 Q. First of all, was your basis for</p>

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1 - MARTI KOPACZ - VOLUME 1-  
2 analyzing this assumption -- and by "this  
3 assumption," I mean the 1.25 percent assumption.

4 A. Right. Without reinvestment.

5 Q. Was it the -- was it these forecasted  
6 data points from other entities?

7 A. I'm sorry. Repeat that question,  
8 please.

9 Q. Let me turn it around.

10 A. Yes.

11 Q. Did you rely on any historical  
12 information relating to wage growth in reaching  
13 your opinion that 1.25 percent was reasonable?

14 A. I consider -- I am sure that we  
15 considered historical information in looking at  
16 the totality of these assumptions, okay?

17 Q. So it's part of the basis for your  
18 opinion that it's reasonable is the historical  
19 data relating to wage growth for residents and  
20 nonresidents, correct?

21 A. There is -- there is some relevance  
22 to historical data relative to these current  
23 estimates, okay?

24 The -- without reinvestment  
25 assumptions, okay, are not particularly meaningful

1 - MARTI KOPACZ - VOLUME 1-  
2 to me because I believe the City is going to make  
3 reinvestment decisions, okay?

4 So, I mean we -- we analyzed this or  
5 we laid out in our report the way the City had  
6 laid it out, okay? As a practical matter, the --  
7 what I think is relevant is the ten-year plan with  
8 the reinvestment.

9 Q. Okay. So is it fair to say that you  
10 not focus as hard on the ten-year plan without  
11 reinvestment as you did the ten-year plan with  
12 reinvestment?

13 A. That is correct.

14 Q. Okay. Do you know what? Let's talk  
15 about -- well, let's just first note that the --  
16 do you -- I'm sorry if I reasked this. I don't  
17 mean to.

18 The -- do you see that on Page 47 you  
19 produced comparable metrics from the Michigan  
20 Department of Treasury, the Michigan Senate Fiscal  
21 Agency and the CBO, which means the Congressional  
22 Budget Office?

23 A. The Congressional Budget Office,  
24 right.

25 Q. Do you know whether their metrics are

1 - MARTI KOPACZ - VOLUME 1-  
2 real or nominal -- are inflation adjusted or  
3 nominal dollars?

4 A. I don't.

5 Q. If they're inflation adjusted, what  
6 is the relevance for them as a comparable?

7 A. I don't know without knowing what the  
8 inflation adjustment is.

9 Q. Okay. So you would have to change  
10 these numbers some way. Would you change them up  
11 or down?

12 MR. KANE: What numbers?

13 THE WITNESS: What numbers?

14 BY MR. HACKNEY:

15 Q. The -- to the extent anything -- let  
16 me reask that.

17 If any of these numbers from the  
18 Michigan Department of Treasury, the Michigan  
19 Senate Fiscal Agency or the CBO are --

20 A. Have inflation in them?

21 Q. -- are inflation adjusted, what would  
22 you have to do to them to make an apple to apples  
23 comparison to the nominal dollars?

24 A. I'd have to look -- I'd have to look  
25 at what the inflation adjustment is.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Okay. And did you do that?

3 A. I did not. I -- I don't think I did.  
4 I mean I don't think my team did. I don't have  
5 any recollection of it as I sit here today.

6 Q. Remember when we were talking about  
7 whether you'd have to add inflation or subtract  
8 it?

9 A. Uh-huh.

10 Q. I could be wrong, but my  
11 understanding of CBO real wage growth -- do you  
12 see that?

13 A. Uh-huh.

14 Q. -- means that 2.47 percent is after  
15 taking into account inflation. Do you disagree  
16 with statement?

17 A. So it would be higher than the  
18 nominal rate, right?

19 Q. That's right. That was -- my  
20 understanding was if you wanted to know what the  
21 CBO's nominal dollar wage growth estimate was.

22 A. You would have to remove inflation.

23 Q. No, you'd have to add it.

24 A. You'd have to add it.

25 Q. That's my understanding, but don't

<p style="text-align: right;">Page 261</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 let me -- I could really be wrong. I talked to my</p> <p>3 economist about this, but I'm also an idiot so I</p> <p>4 could have gotten it wrong.</p> <p>5 MR. STEWART: Objection.</p> <p>6 MR. HACKNEY: What's that?</p> <p>7 MR. STEWART: I don't think -- I</p> <p>8 don't think you're an idiot.</p> <p>9 MR. HACKNEY: Mr. Stewart's looking</p> <p>10 out for me.</p> <p>11 BY MR. HACKNEY:</p> <p>12 Q. So my understanding is that if you</p> <p>13 want to know actual dollars -- if you want to know</p> <p>14 what the CBO thinks about actual dollars, my</p> <p>15 understanding, tell me if you disagree, is that</p> <p>16 you have to take their real wage growth percentage</p> <p>17 and add to it inflation assumptions so that you --</p> <p>18 A. Yes.</p> <p>19 Q. -- can get an actual to actual; is</p> <p>20 that correct?</p> <p>21 A. Yes.</p> <p>22 Q. If inflation were 2 percent in the</p> <p>23 CBO hypothetical, do you agree that the CBO's</p> <p>24 actual wage growth in nominal dollars would be</p> <p>25 4.47 percent?</p>	<p style="text-align: right;">Page 263</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 THE WITNESS: No. It's 2.65.</p> <p>3 BY MR. HACKNEY:</p> <p>4 Q. You do see that it's 2.65?</p> <p>5 A. I do.</p> <p>6 Q. Okay. Do you see that the forecast</p> <p>7 assumptions for corporation -- corporation wage</p> <p>8 growth, you know, whatever you want to call it.</p> <p>9 A. Yeah. Income growth, yeah.</p> <p>10 Q. It's equivalent to the Michigan</p> <p>11 Senate Fiscal Agency's projection, correct?</p> <p>12 A. Well --</p> <p>13 Q. That's what you say. The wage growth</p> <p>14 forecast for corporations is 2.65 percent or</p> <p>15 equivalent to the Michigan Senate Fiscal Agency</p> <p>16 assumption, correct?</p> <p>17 A. That's without -- before -- where are</p> <p>18 we?</p> <p>19 MR. KANE: It's okay if I tell her</p> <p>20 what page you're on?</p> <p>21 BY MR. HACKNEY:</p> <p>22 Q. Absolutely. I don't mean to turn you</p> <p>23 around, 46.</p> <p>24 A. What page are you on?</p> <p>25 MR. KANE: You're on 46?</p>
<p style="text-align: right;">Page 262</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. Okay. But I think we've established</p> <p>4 you don't know whether these numbers from the</p> <p>5 state and the Feds are inflation adjusted or not?</p> <p>6 A. I don't.</p> <p>7 Q. Okay. Would you -- if the CBO number</p> <p>8 actual wage growth number was 4.47 percent, would</p> <p>9 you still consider the 2.16 percent ten-year plan</p> <p>10 with reinvestment assumption to be reasonable?</p> <p>11 A. I don't know. I'd really have to</p> <p>12 look at -- I'd really have to look at the CBO</p> <p>13 estimate in detail.</p> <p>14 Q. Okay. I'll stay focused on the parts</p> <p>15 of this that relate to ten-year plan with RRI's.</p> <p>16 Okay?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Take a look at Page 45 and 46. Do</p> <p>19 you see that the assumption for City resident and</p> <p>20 nonresident wage growth on an average basis over</p> <p>21 the time period presented is 2.16 percent?</p> <p>22 A. I do.</p> <p>23 Q. But do you see that for corporations</p> <p>24 it's 2.65 percent?</p> <p>25 MR. STEWART: You mean 3.65?</p>	<p style="text-align: right;">Page 264</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 BY MR. HACKNEY:</p> <p>3 Q. Yeah.</p> <p>4 A. You're on 46? Okay. Thank you.</p> <p>5 Q. That's okay.</p> <p>6 A. I was on the wrong page.</p> <p>7 Q. A million numbers in here?</p> <p>8 A. Right. The wage growth forecast for</p> <p>9 corporations is 2.65 or equivalent to the Michigan</p> <p>10 State Fiscal Agency assumption.</p> <p>11 Q. Right. So you agree that the</p> <p>12 forecast -- the City forecasters' assumption is</p> <p>13 identical to the Michigan Senate Fiscal Agency's</p> <p>14 assumption about corporation wage growth, right?</p> <p>15 A. Yes.</p> <p>16 Q. But the City forecasters' assumptions</p> <p>17 regarding average wage growth for residents and</p> <p>18 nonresidents is substantially below the Michigan</p> <p>19 Senate Fiscal Agency's assumption; isn't that</p> <p>20 correct?</p> <p>21 A. I am not seeing -- 2.16 is less than</p> <p>22 2.65.</p> <p>23 Q. That's for corporations. Do you know</p> <p>24 what the Michigan Senate Fiscal Agency's</p> <p>25 assumptions for residents in the City of Detroit</p>

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<p style="text-align: right;">Page 265</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 were?</p> <p>3 A. I am not seeing that here.</p> <p>4 Q. Do you know separate and apart from</p> <p>5 the presentation here?</p> <p>6 A. I don't.</p> <p>7 Q. Let's go down to employ -- sorry.</p> <p>8 Let's go down to Employment Growth. Do you see</p> <p>9 that the number of city residents that are</p> <p>10 employed is forecasted to increase .15 percent?</p> <p>11 A. Can you tell me where we are?</p> <p>12 Q. Yes. It's on Page 46 right down</p> <p>13 below "Employment Growth with RRI's. It's in the</p> <p>14 prose section, the number of city residents</p> <p>15 employees forecasted to increase .15 percent. Do</p> <p>16 you see that?</p> <p>17 A. Over a ten-year period, yeah.</p> <p>18 Q. Yes. For the fiscal year period.</p> <p>19 While the nonresidents' average</p> <p>20 annual employment is anticipated to increase</p> <p>21 .21 percent. Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. Now, in -- this is one of those</p> <p>24 sections in your report where you are just</p> <p>25 narrating what the assumptions are, correct?</p>	<p style="text-align: right;">Page 267</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 said what if they're off by a percentage point one</p> <p>3 way or another, what does that do? Okay? And in</p> <p>4 totality of looking at all of that stuff, I</p> <p>5 concluded that this is a reasonable assumption</p> <p>6 for, in this case, municipal income tax.</p> <p>7 Q. Well, wait. I would rephrase that</p> <p>8 and see if you agree with how I rephrase it.</p> <p>9 You included that in the aggregate</p> <p>10 all of the assumptions were reasonable, correct?</p> <p>11 A. Correct.</p> <p>12 Q. You did not make a specific finding</p> <p>13 or conclusion about whether this assumption on</p> <p>14 Page 46 regarding employment growth was</p> <p>15 reasonable, correct?</p> <p>16 A. That is correct. I looked at a</p> <p>17 what-if scenario, the -- the estimate was off.</p> <p>18 Now, how -- if -- if that estimate is off, right,</p> <p>19 by some amount, does that have a -- what kind of</p> <p>20 an impact does that have on the overall projection</p> <p>21 for income tax?</p> <p>22 Q. Okay. So speaking to your expertise</p> <p>23 in terms of what your training and experience</p> <p>24 renders you capable of doing, you are capable of</p> <p>25 assessing whether or not a forecasted increase of</p>
<p style="text-align: right;">Page 266</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. That is correct.</p> <p>3 Q. You did not make a finding in your</p> <p>4 report that these two assumptions were reasonable</p> <p>5 specifically, correct?</p> <p>6 A. Correct.</p> <p>7 Q. Do you -- did you make a specific</p> <p>8 finding that these two assumptions were</p> <p>9 reasonable?</p> <p>10 A. I did not.</p> <p>11 Q. Is it -- am I correct in reading your</p> <p>12 report that if there is a section that</p> <p>13 describes -- like this one, that describes what</p> <p>14 the City's assumptions are, but does not include</p> <p>15 your specific seal of approval as to finding that</p> <p>16 the specific assumption being discussed, that I</p> <p>17 should infer that you did not make a specific</p> <p>18 finding about that assumption?</p> <p>19 A. I did not make a specific finding</p> <p>20 about 2.16 or any of that sort of thing. What I</p> <p>21 did is, as I said before, I looked at all the</p> <p>22 information that was available to us, historical,</p> <p>23 projections, talked with people who did this,</p> <p>24 looked at other people who make projections about</p> <p>25 these things. I did the sensitivity analysis that</p>	<p style="text-align: right;">Page 268</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 .15 percent in City resident employment is a</p> <p>3 reasonable assumption, correct?</p> <p>4 A. Could I do that? Absolutely.</p> <p>5 Q. Yeah. You could have done it, but</p> <p>6 you did not do it.</p> <p>7 A. I did not.</p> <p>8 Q. Okay. Is that a reasonable</p> <p>9 assumption?</p> <p>10 A. I believe that that assumption is</p> <p>11 reasonable in light of the -- the totality of what</p> <p>12 the income tax and revenue assumptions are.</p> <p>13 Q. What is the basis for EY's</p> <p>14 .15 percent assumption in City resident employment</p> <p>15 increase?</p> <p>16 A. You'd have to ask them.</p> <p>17 Q. What is the basis for your conclusion</p> <p>18 that this assumption --</p> <p>19 A. Right.</p> <p>20 Q. -- is reasonable?</p> <p>21 A. Again, as I said, I did not -- in</p> <p>22 this case, I looked at this assumption. It did</p> <p>23 not appear unreasonable to me. Okay? And when I</p> <p>24 factored in the result of all of these estimates</p> <p>25 in terms of coming up with the revenue</p>

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<p style="text-align: right;">Page 269</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 assumptions, and I did the sensitivity analysis,</p> <p>3 the result of what the city is projecting in terms</p> <p>4 of municipal taxable income and all the other</p> <p>5 individual revenue items is reasonable.</p> <p>6 Q. Do you agree that you're not able to</p> <p>7 give me an opinion regarding the reasonableness of</p> <p>8 this assumption on a stand-alone basis?</p> <p>9 A. That is correct.</p> <p>10 Q. Okay. Take a look at Page 48 where</p> <p>11 you have another one of your comparable metrics.</p> <p>12 A. Uh-huh.</p> <p>13 Q. Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. Do you see that the -- so there are</p> <p>16 comparable metrics here from the Michigan</p> <p>17 Department of Treasury and the Michigan Senate</p> <p>18 Fiscal Agency. Do you see that?</p> <p>19 A. I do.</p> <p>20 Q. And do you know whether those metrics</p> <p>21 are statewide metrics or City of Detroit metrics?</p> <p>22 A. My recollection and I -- I was trying</p> <p>23 to find it in the report, my recollection is that</p> <p>24 these are statewide estimates.</p> <p>25 Q. I see. So these are -- are</p>	<p style="text-align: right;">Page 271</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 analyses and say, Now I'm going to link them all</p> <p>3 together and I'm going to assume that taxable</p> <p>4 income growth is down a percent, property tax is</p> <p>5 down a percent, gaming revenue is down a percent,</p> <p>6 and utility users' tax revenue is down a percent</p> <p>7 and then step back and look to see what impact it</p> <p>8 had on whether the City can achieve the forecasts?</p> <p>9 A. I did not do that analysis.</p> <p>10 Q. Okay. So do you agree that this</p> <p>11 sensitivity analysis tells you what a 1 percent</p> <p>12 change is worth when it comes to municipal income</p> <p>13 tax revenue?</p> <p>14 A. Yes.</p> <p>15 Q. It doesn't tell you how likely a</p> <p>16 1 percent deviation is.</p> <p>17 A. Correct.</p> <p>18 Q. And you did not conduct that</p> <p>19 analysis, correct?</p> <p>20 A. I did not.</p> <p>21 Q. Take a look at -- I'm going to move</p> <p>22 into the state revenue sharing if I could. Take a</p> <p>23 look at Page 50. You give a general introduction</p> <p>24 into state revenue sharing on Page 49.</p> <p>25 A. Right.</p>
<p style="text-align: right;">Page 270</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 respective entities estimations of employment</p> <p>3 growth statewide for the fiscal years denoted,</p> <p>4 right? That's your belief?</p> <p>5 A. That's my recollection. It is not</p> <p>6 the clearest recollection I have.</p> <p>7 Q. Okay. Now, do you see that you did</p> <p>8 the sensitivity analysis on Page 49?</p> <p>9 A. Yes.</p> <p>10 Q. Do you remember when you were</p> <p>11 testifying with Mr. Stewart that you described</p> <p>12 this as an arithmetical exercise that tells you</p> <p>13 what every 1 percent change in annual taxable</p> <p>14 income growth amounts to in terms of dollars?</p> <p>15 A. Yes.</p> <p>16 Q. You did not do an assessment of the</p> <p>17 likelihood that taxable income would be 1 percent</p> <p>18 lower or higher though, correct?</p> <p>19 A. That's correct.</p> <p>20 Q. Okay. Did you ever -- I know that</p> <p>21 you presented multiple sensitivity analyses for</p> <p>22 different types of revenue and cost in this</p> <p>23 opinion; isn't that right?</p> <p>24 A. Yes.</p> <p>25 Q. Did you ever take the sensitivity</p>	<p style="text-align: right;">Page 272</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And you talk about the constitutional</p> <p>3 revenue sharing function and then the</p> <p>4 discretionary EVIP portion -- E-V-I-P portion. Do</p> <p>5 you remember that?</p> <p>6 A. I do.</p> <p>7 Q. And then you start with the</p> <p>8 constitutional portion on Page 50. Do you see</p> <p>9 that?</p> <p>10 A. I do.</p> <p>11 Q. Do you understand that constitutional</p> <p>12 state revenue sharing in Michigan is driven by a</p> <p>13 municipality's percentage of the state's total</p> <p>14 population?</p> <p>15 A. I do.</p> <p>16 Q. So you understand that forecasting</p> <p>17 the constitutional portion of state revenue</p> <p>18 sharing requires you to forecast the population of</p> <p>19 the municipality, correct?</p> <p>20 A. It -- it does.</p> <p>21 Q. Now, isn't it true that in every</p> <p>22 instance in your -- in the City's forecasts, the</p> <p>23 City made a determination that the presence of the</p> <p>24 RRI's would have an impact on the forecasts,</p> <p>25 correct? So, for example, wage growth without</p>

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<p style="text-align: right;">Page 273</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 RRI's was lower than with RRI's, correct?</p> <p>3 A. That's correct.</p> <p>4 Q. Okay. With respect to the population</p> <p>5 assumptions in the forecasts, is it correct that</p> <p>6 the ten-year projections assume that there will be</p> <p>7 a 12.3 percent decline in Detroit's population</p> <p>8 over the next ten years?</p> <p>9 A. That is the SEMCOG estimate and</p> <p>10 that's what the City used.</p> <p>11 Q. So the City relied on SEMCOG,</p> <p>12 correct?</p> <p>13 A. Correct.</p> <p>14 Q. Do you -- you did not make a specific</p> <p>15 finding in this section as to whether that</p> <p>16 population assumption was a reasonable one. Do</p> <p>17 you agree?</p> <p>18 A. I accepted that as a given.</p> <p>19 Q. Okay. You accepted it as a given.</p> <p>20 You did not otherwise test its reasonableness,</p> <p>21 correct?</p> <p>22 A. I did not.</p> <p>23 Q. Okay. Do you know -- have you read</p> <p>24 SEMCOG's report?</p> <p>25 A. I did not personally read it.</p>	<p style="text-align: right;">Page 275</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 state population are moving in the same direction,</p> <p>3 it wouldn't necessarily change the percentage of</p> <p>4 revenue sharing that Detroit gets. If they're</p> <p>5 changing in opposite directions, it would have --</p> <p>6 it could have an effect.</p> <p>7 Q. Right. Right. Because the ratio</p> <p>8 wouldn't change in the former instance.</p> <p>9 A. Correct.</p> <p>10 Q. But if putting a bunch of money into</p> <p>11 Detroit pulled population from the surrounding</p> <p>12 municipalities into Detroit without otherwise</p> <p>13 changing the larger state's population, that could</p> <p>14 have an impact on Detroit's population as a</p> <p>15 percentage of state population?</p> <p>16 A. That could, yes.</p> <p>17 Q. This is not something you thought</p> <p>18 about?</p> <p>19 A. No. I mean it's not something I</p> <p>20 attempted to quantify.</p> <p>21 Q. Okay. You didn't study or evaluate</p> <p>22 the assumptions regarding population?</p> <p>23 A. Correct.</p> <p>24 Q. Now, take a look at Page 51. Now</p> <p>25 you're going into statutory payments. Okay?</p>
<p style="text-align: right;">Page 274</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Someone on my team did.</p> <p>3 Q. Okay. Somebody looked at it. Do you</p> <p>4 remember if they told you when it was done?</p> <p>5 A. I don't recall.</p> <p>6 Q. Do you know whether the SEMCOG</p> <p>7 authors were considering the idea that there might</p> <p>8 be in excess of a billion dollars pumped into the</p> <p>9 City of Detroit during the very ten-year period</p> <p>10 they were studying?</p> <p>11 A. I don't know one way or another.</p> <p>12 Q. Would you expect that if a city like</p> <p>13 Detroit puts a billion dollars into itself in the</p> <p>14 form of restructuring reinvestment that it would</p> <p>15 have an impact on its population level?</p> <p>16 A. That's what everyone is hoping.</p> <p>17 Q. Okay. Do you know whether the City</p> <p>18 adjusted its population estimates with respect to</p> <p>19 constitutional revenue sharing to take account of</p> <p>20 the impact the RRI's might have on its population</p> <p>21 estimate?</p> <p>22 A. The answer is I don't know, and they</p> <p>23 would also have to estimate the change in</p> <p>24 population in the state because Detroit gets --</p> <p>25 it's -- if both the Detroit population and the</p>	<p style="text-align: right;">Page 276</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. These are the -- this is the EVIP</p> <p>4 portion of state revenue sharing, right?</p> <p>5 A. Yes.</p> <p>6 Q. Now, do you see here that the ten</p> <p>7 year -- you say, "the ten-year projections assume</p> <p>8 that the City continues to receive 100 percent of</p> <p>9 its possible state allocation or approximately</p> <p>10 140 million annually for the entire 2014 to 2023</p> <p>11 time period," correct?</p> <p>12 A. Yes.</p> <p>13 Q. Now, you did this make a specific</p> <p>14 finding as to the reasonableness of this</p> <p>15 assumption, correct?</p> <p>16 A. No. I relied on the fact that the</p> <p>17 City has received a hundred percent of its</p> <p>18 possible EVIP allocation over the recent past</p> <p>19 years.</p> <p>20 Q. Has it?</p> <p>21 A. It has.</p> <p>22 Q. Over what time period?</p> <p>23 A. I'd have to -- I'd have to look at</p> <p>24 that, but it's been overlooked -- over the years</p> <p>25 that that EVIP has existed.</p>

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<p style="text-align: right;">Page 277</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Okay. Because that didn't come in</p> <p>3 until Governor Snyder?</p> <p>4 A. It was a governor Snyder thing.</p> <p>5 Q. Okay.</p> <p>6 A. Yes.</p> <p>7 Q. But did you independently assess</p> <p>8 whether on a go-forward basis it's likely that the</p> <p>9 City will continue to receive a hundred percent?</p> <p>10 A. My assumption is that if the state</p> <p>11 believed that Detroit had met the requirements to</p> <p>12 receive EVIP previously, given the change in the</p> <p>13 administration and all of the RRI's around</p> <p>14 accounting and systems, that it is highly likely</p> <p>15 that it's going to get its EVIP going forward.</p> <p>16 Q. Well, for example, like in</p> <p>17 Category 3, Unfunded Actual Liability Plan relates</p> <p>18 to the level of your unfunded liabilities and</p> <p>19 whether you're doing a good job to reduce them,</p> <p>20 right? That's a component of whether you get</p> <p>21 EVIP?</p> <p>22 A. It is -- you are to produce a plan.</p> <p>23 Q. Okay. Is it -- let's see if we can</p> <p>24 summarize your testimony on this in a way</p> <p>25 that's -- that's accurate.</p>	<p style="text-align: right;">Page 279</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 sharing.</p> <p>3 Q. But the statutory revenue sharing is</p> <p>4 the EVIP payments, right?</p> <p>5 A. Yes.</p> <p>6 Q. And those are independent of</p> <p>7 population?</p> <p>8 A. It is, but it is -- statutory is an</p> <p>9 independent of population and the constitutional</p> <p>10 will change in 2021.</p> <p>11 Q. Let's break it down.</p> <p>12 You did two different things in this</p> <p>13 sensitivity analysis, right?</p> <p>14 A. Yes.</p> <p>15 Q. The first thing you did is you said</p> <p>16 what's the -- what's the impact of a 5 percent</p> <p>17 change downward in population on the</p> <p>18 constitutional portion?</p> <p>19 A. Yes.</p> <p>20 Q. You separately said what's the impact</p> <p>21 of just a 5 percent reduction in the statutory</p> <p>22 portion?</p> <p>23 A. Yes.</p> <p>24 Q. And you presented it here in this</p> <p>25 box, right?</p>
<p style="text-align: right;">Page 278</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Is it fair to say that you basically</p> <p>3 made a single assumption that whatever went into</p> <p>4 getting EVIP payments that Detroit would be better</p> <p>5 at it going forward?</p> <p>6 A. Yes.</p> <p>7 Q. And it's on the basis of that</p> <p>8 assumption that you concluded that Detroit is</p> <p>9 likely to receive 100 percent of its EVIP payments</p> <p>10 going forward?</p> <p>11 A. Correct.</p> <p>12 Q. But you did this test the assumption</p> <p>13 beyond that level?</p> <p>14 A. Correct.</p> <p>15 Q. Now, there's another sensitivity</p> <p>16 analysis on Page 52. Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And do you agree that this is an</p> <p>19 arithmetical analysis of the impact of a 5 percent</p> <p>20 change in the E -- no, in -- in -- yes, it's the</p> <p>21 impact of a 5 percent change in the state revenue</p> <p>22 sharing numbers on the general fund, right?</p> <p>23 A. It's a sensitivity analysis of a</p> <p>24 5 percent change in the -- in the -- of fact of a</p> <p>25 population change on the statutory revenue</p>	<p style="text-align: right;">Page 280</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. That's correct.</p> <p>3 Q. Okay. Now, you did not take</p> <p>4 undertake an assessment of the likelihood that</p> <p>5 there would be a 5 percent reduction in the</p> <p>6 population in the City, correct?</p> <p>7 A. Correct.</p> <p>8 Q. And you did not undertake an</p> <p>9 assumption of whether or not there would be a</p> <p>10 5 percent reduction in statutory payments,</p> <p>11 correct?</p> <p>12 A. Correct.</p> <p>13 Q. So you're not presenting the</p> <p>14 likelihood that this will occur; you're presenting</p> <p>15 the impact if it does occur?</p> <p>16 A. Correct.</p> <p>17 Q. And you have not considered the</p> <p>18 likelihood that this will occur, correct?</p> <p>19 A. That is correct.</p> <p>20 Q. But isn't it true that the forecast,</p> <p>21 when you talk about a 5 percent reduction are you</p> <p>22 talking about -- oh, that's based on the 2010</p> <p>23 census figure, correct?</p> <p>24 A. Yes.</p> <p>25 Q. So you're saying I'm going to</p>

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<p style="text-align: right;">Page 281</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 evaluate what will happen if there's a 5 percent</p> <p>3 reduction in the population compared to the 2010</p> <p>4 census in 2022 as a result of 2020 census?</p> <p>5 A. Okay. If the population declines --</p> <p>6 how do I say this very precisely?</p> <p>7 If the -- if Detroit's population</p> <p>8 percentage of constitutional payments declines as</p> <p>9 a result of its share of statewide population by 5</p> <p>10 percent, then the constitutional payments will</p> <p>11 decrease by the amount shown here.</p> <p>12 Q. Oh, I see. So, when it says on the</p> <p>13 top of Page 52, "the analysis below estimates the</p> <p>14 impact of a 5 percent change in the 2020 census</p> <p>15 forecasted population: That's not quite right.</p> <p>16 It means --</p> <p>17 A. Yes.</p> <p>18 Q. -- if it -- if there's a change that</p> <p>19 has the net impact of being 5 percent less as a</p> <p>20 percentage of the state as a whole?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. Am I right in the way I've</p> <p>23 reformulated what you meant?</p> <p>24 A. I think you are. The measurement</p> <p>25 won't occur until 2021.</p>	<p style="text-align: right;">Page 283</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 that doesn't follow, does it?</p> <p>3 A. No.</p> <p>4 Q. What -- what percentage as a ratio of</p> <p>5 Michigan's population does a 12 percent decrease</p> <p>6 in Detroit's population represent if the rest of</p> <p>7 Michigan's population stays constant?</p> <p>8 A. I don't know.</p> <p>9 Q. Okay. Let's talk about the wagering</p> <p>10 taxes if we could.</p> <p>11 A. Sure.</p> <p>12 Q. And by the way, you nailed that</p> <p>13 percentage right on the nail head there. It was</p> <p>14 10.9 percent. Remember, you said that earlier?</p> <p>15 A. Plus one.</p> <p>16 Q. Okay. And then you see here that --</p> <p>17 yeah, so when you were -- when you were analyzing</p> <p>18 wagering receipts, you assume that the tax rate</p> <p>19 would be constant, correct?</p> <p>20 A. That's correct.</p> <p>21 Q. And so you're -- the focus then was</p> <p>22 on what are the casino gross receipts against</p> <p>23 which the rate is applied, right?</p> <p>24 A. Yes.</p> <p>25 Q. Now, you see that the ten-year</p>
<p style="text-align: right;">Page 282</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Okay.</p> <p>3 A. And then there will be a new</p> <p>4 percentage allocated to Detroit for state</p> <p>5 constitutional revenue sharing for the next ten</p> <p>6 years.</p> <p>7 Q. Okay.</p> <p>8 A. Okay? And that is an assumption that</p> <p>9 has been made and this sensitivity says what if</p> <p>10 that's off.</p> <p>11 Q. Okay.</p> <p>12 A. What if that -- what if that changes</p> <p>13 by 5 percent? That's what this says.</p> <p>14 Q. So if do you know what's supposed</p> <p>15 to -- what is projected by SEMCOG or others to</p> <p>16 happen to the state's population around Detroit,</p> <p>17 meaning excluding Detroit?</p> <p>18 A. I don't recall.</p> <p>19 Q. Now, you remember SEMCOG says that</p> <p>20 Detroit's will go down by 12.3 percent --</p> <p>21 A. Right.</p> <p>22 Q. -- correct?</p> <p>23 A. Correct.</p> <p>24 Q. Do you agree that if the rest of the</p> <p>25 state's population goes up at all -- well, I guess</p>	<p style="text-align: right;">Page 284</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 projections assume two-and-a-half percent</p> <p>3 year-over-year declines in fiscal year 2014, a one</p> <p>4 percent decline in 2015, a half a percent increase</p> <p>5 in fiscal year 2016 and '17, and a one percent</p> <p>6 increase thereafter through 2023, correct?</p> <p>7 A. Yes.</p> <p>8 Q. You did not make an independent</p> <p>9 finding as to that assumption, as to its</p> <p>10 reasonableness, correct?</p> <p>11 A. Correct.</p> <p>12 Q. Similarly, with the sensitivity</p> <p>13 analysis on Page 54, do you agree that that is an</p> <p>14 arithmetical exercise that's designed as to</p> <p>15 present what the impact of a one percentage point</p> <p>16 change in the gross receipts assumption is?</p> <p>17 A. Yes.</p> <p>18 Q. And what it is is it's about</p> <p>19 \$16.3 million over the ten-year period, right?</p> <p>20 A. That's correct.</p> <p>21 Q. But you didn't undertake an</p> <p>22 assumption of the likelihood that that would</p> <p>23 happen, correct?</p> <p>24 A. That's right.</p> <p>25 Q. And just to save time, that's true</p>

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<p style="text-align: right;">Page 285</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 for all the sensitivity analyses that you did,</p> <p>3 correct?</p> <p>4 A. Yes.</p> <p>5 Q. You presented the arithmetical</p> <p>6 equation, but you did not undertake an assessment</p> <p>7 of the likelihood of the event, correct?</p> <p>8 A. That's correct.</p> <p>9 Q. Now, did you see -- on Page 55, do</p> <p>10 you see that there is discussion around sales and</p> <p>11 charges for services?</p> <p>12 Do you see that?</p> <p>13 A. I do.</p> <p>14 Q. You note in the pros that's below the</p> <p>15 table some changes that will happen around the --</p> <p>16 the public lighting authority replacing the public</p> <p>17 lighting department.</p> <p>18 Do you see that?</p> <p>19 A. I do.</p> <p>20 Q. That's presented in the fairly</p> <p>21 dramatic decrease in revenue that the PLD line</p> <p>22 item observes during that ten-year period, right?</p> <p>23 A. Yes.</p> <p>24 Q. So that, you're describing why that's</p> <p>25 happening there, right?</p>	<p style="text-align: right;">Page 287</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 with the RRI's and the investment and the</p> <p>3 reconfiguring of that, you will see revenue</p> <p>4 enhancements in the fire department but they sit</p> <p>5 over in the RRI model.</p> <p>6 Q. I see. So what you're saying is,</p> <p>7 separate and apart from the benefits that the RRI's</p> <p>8 drive on the sales and charges for services front,</p> <p>9 which is presented separately with them, it is</p> <p>10 reasonable to assume that sales and charges for</p> <p>11 services will not otherwise increase.</p> <p>12 So you're effectively --</p> <p>13 A. Yes.</p> <p>14 Q. -- saying, I'm going to take the</p> <p>15 preliminary forecast which keeps them constant --</p> <p>16 A. Right.</p> <p>17 Q. -- but I'm comfortable with that</p> <p>18 because I know in the presentation of RRI's, there</p> <p>19 are revenue enhancements that include sales and</p> <p>20 charges for services; is that right?</p> <p>21 A. It is. And the one --</p> <p>22 Q. Okay.</p> <p>23 A. -- thing that fundamentally changes</p> <p>24 in the baseline is the transfer of the lighting,</p> <p>25 okay, to the -- to the authority.</p>
<p style="text-align: right;">Page 286</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. Why that is forecast to happen,</p> <p>4 right?</p> <p>5 But with respect to the other</p> <p>6 numbers, the other revenue categories other than</p> <p>7 PLD, your narrative says that the balance of these</p> <p>8 revenue categories are assumed to remain</p> <p>9 relatively constant over the time period, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. And you did not make an independent</p> <p>12 assessment of whether that assumption was a</p> <p>13 reasonable one, correct?</p> <p>14 A. Let's -- the -- the reason I think</p> <p>15 that this is reasonable is this is the baseline.</p> <p>16 Okay? There are a variety of changes, if you</p> <p>17 will, that will occur pursuant to the RRI's in some</p> <p>18 of these departments that you see in the revenue</p> <p>19 assumptions with the RRI. And this, you know,</p> <p>20 this goes to my desire to have a single set of</p> <p>21 projections built by department for the City.</p> <p>22 So, you know, an easy example is</p> <p>23 fire. Right. These are these are ambulances</p> <p>24 charges and false alarm things. Okay? Because of</p> <p>25 changes in that department that are envisioned</p>	<p style="text-align: right;">Page 288</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Which we talked about.</p> <p>3 A. Right.</p> <p>4 Q. Absolutely. Sorry. I meant with</p> <p>5 that caveat, I apologize.</p> <p>6 A. Yes.</p> <p>7 Q. Okay. So, the -- if we wanted to</p> <p>8 test the reasonableness of the City's assumptions</p> <p>9 regarding increases in sales and charges for</p> <p>10 services, what we really have to do is get under</p> <p>11 the hood of the RRI's and their likely impact on</p> <p>12 sales and charges for services?</p> <p>13 A. You really have to combine them on a</p> <p>14 departmental level basis and then look at them.</p> <p>15 Q. Right. We could build off these</p> <p>16 things if we added them all together --</p> <p>17 A. Correct.</p> <p>18 Q. -- and then looked at them?</p> <p>19 A. Correct.</p> <p>20 Q. Now, you didn't make that</p> <p>21 presentation, correct? In your report?</p> <p>22 A. In our report I did not, no.</p> <p>23 Q. And the City hasn't made that</p> <p>24 presentation either, correct?</p> <p>25 A. That's correct.</p>

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<p style="text-align: right;">Page 289</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So it's interesting. So in every</p> <p>3 other instance, though, where -- where the EY</p> <p>4 forecasters were forecasting revenue, they</p> <p>5 considered the impact of the RRI's, right, to the</p> <p>6 best of your knowledge?</p> <p>7 A. Clearly with income tax and property</p> <p>8 tax.</p> <p>9 Q. Oh, right. Good point. Good point.</p> <p>10 A. They do it both ways.</p> <p>11 Q. Yes. Fair -- fair correction.</p> <p>12 But is it your understanding that</p> <p>13 when -- when they were forecasting --</p> <p>14 A. Not wagering taxes.</p> <p>15 Q. Right.</p> <p>16 A. Not wagering taxes and not sales and</p> <p>17 services tax. Income, not taxes income.</p> <p>18 Q. Yes. But is it your understanding</p> <p>19 that the EY forecasters did not consider the</p> <p>20 impact of restructuring reinvestment initiatives</p> <p>21 on sales and charges for services?</p> <p>22 A. The Bob Kline group didn't do</p> <p>23 sales -- didn't do the categories we're talking</p> <p>24 about right now; sales and charges for services.</p> <p>25 Q. Okay.</p>	<p style="text-align: right;">Page 291</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 page, didn't we?</p> <p>3 On the collection rates, do you</p> <p>4 notice that the City has assumptions regarding</p> <p>5 different collection rates that bleed from Page 59</p> <p>6 to 60?</p> <p>7 A. I do.</p> <p>8 Q. And it's also fair to say that you</p> <p>9 didn't make independent findings regarding whether</p> <p>10 their property tax collection assumptions were</p> <p>11 reasonable, correct?</p> <p>12 A. That's correct.</p> <p>13 Q. Then, similarly, on the utility users</p> <p>14 tax on Page 62, do you see that?</p> <p>15 A. I do.</p> <p>16 Q. The forecast -- the forecasted amount</p> <p>17 is forecast to be approximately two percent of</p> <p>18 general fund revenue, correct?</p> <p>19 A. Yes.</p> <p>20 Q. Fair to say you did not test the</p> <p>21 assumptions around the specific utility user tax</p> <p>22 revenue assumptions by the City forecasters,</p> <p>23 correct?</p> <p>24 A. Correct.</p> <p>25 Q. So, let me ask you a question about</p>
<p style="text-align: right;">Page 290</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. That was done by somebody in on</p> <p>3 Gaurav 's direct team.</p> <p>4 Q. Okay. So, take a look at Page 59.</p> <p>5 We're going to move on to property values here,</p> <p>6 okay?</p> <p>7 A. Yes. We did this.</p> <p>8 Q. So, yeah, we definitely touched on</p> <p>9 these. But I guess I want to confirm that you</p> <p>10 didn't make any independent findings regarding</p> <p>11 whether a one percent, 1.7 percent decline in real</p> <p>12 property values during the period was a reasonable</p> <p>13 assumption, correct?</p> <p>14 A. Correct.</p> <p>15 Q. And you didn't make any findings with</p> <p>16 respect to whether the personal property increased</p> <p>17 by .9 percent was a reasonable assumption during</p> <p>18 that period, correct?</p> <p>19 A. That's correct.</p> <p>20 Q. And it's also correct that you didn't</p> <p>21 test the assumption of a 4.8 percent renaissance</p> <p>22 zone increase during that period, correct?</p> <p>23 A. That's correct.</p> <p>24 Q. We did talk about the nine percent,</p> <p>25 I'm sorry, we actually skipped forward to this</p>	<p style="text-align: right;">Page 292</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the feasibility of the POA, if there's no exit</p> <p>3 financing.</p> <p>4 In your opinion, you assumed that</p> <p>5 there would be. Do you remember that?</p> <p>6 A. I did.</p> <p>7 Q. Let's engage the hypothetical where</p> <p>8 Mr. Buckfire fails to obtain exit financing. How</p> <p>9 does that impact your finding of feasibility?</p> <p>10 A. If there is no replacement source of</p> <p>11 funding?</p> <p>12 Q. Yes.</p> <p>13 A. Then I would conclude that the plan</p> <p>14 is not feasible.</p> <p>15 Q. Why is that?</p> <p>16 A. Because the -- going back to my</p> <p>17 definition of feasibility, it is both a</p> <p>18 quantitative and a qualitative assessment. I</p> <p>19 think the reinvestment initiatives, the RRI's, are</p> <p>20 important to the City's ability to deliver</p> <p>21 municipal services, to pay the commitments in the</p> <p>22 plan and the City does not have the surplus, the</p> <p>23 structural surplus in the next couple of years to</p> <p>24 execute on the RRI's without the exit financing.</p> <p>25 Q. What is the basis for your assumption</p>

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that there will be exit financing?

A. Based on my discussions with Mr. Buckfire.

Q. What did he tell you?

A. He was highly confident that he was going to complete the exit financing at, you know, reasonable pricing which he's estimated to be six percent.

Q. Is that his estimate of the percentage?

A. That's -- that was his estimate at the point in time when I talked to him which was a couple of weeks ago.

Q. If the City places exit financing at a high interest rate, like a junk level interest rate, but it gets the exit financing, okay, so it gets the money but it's got to pay eight percent, then what happens to your feasibility opinion?

A. The interest rate probably does not affect feasibility simply because interest rates are generally low. And -- I have to look at it. I'd have to analyze it.

But -- but my concern about exit financing is much more binary; either you get it

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or you don't.

Q. You want to get -- if you can get the cash to fund the restructuring and reinvestment initiatives, you're comfortable that it's feasible?

A. I am.

Q. Unless it's a ridiculous interest rate?

A. If it's 15 percent, it might be a problem --

Q. Credit card --

A. Yes.

Q. Yeah. Let me ask you to turn to Exhibit 3 to your report which details a lot of your communications.

A. Okay.

Q. And I note that I believe in your reliance material -- your -- in Exhibit 2, I don't want to characterize this, I think you talked about Exhibit 2 being all the sources of information that you or someone on your team reviewed in connection with your opinion, correct?

A. Correct.

Q. And I think you listed on there

- MARTI KOPACZ - VOLUME 1-

communications with City of Detroit personnel, financial advisors, creditors and so forth, correct?

A. Correct.

MR. HACKNEY: I was wondering if I could make a request of counsel to get access to the e-mail communications that are listed on Exhibit 3. They are ostensibly things that she reviewed and it seems to have indicated they considered at some level or someone did. And I was thinking it wouldn't be too burdensome because it's a relatively defined time period and it's mainly what she was doing and they're all logged here so...

MR. KANE: Let us consider that and get back to you promptly. I think the Court's Order was pretty clear about what she was supposed to produce. So I'm not saying no, but we'll -- we'll talk it over outside the deposition and get back to you.

MR. HACKNEY: Yeah. So the Court said that -- that she should produce copies of any documents cited in the report or otherwise considered by the witness,

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excluding documents previously produced in discovery and publicly available in professional literature?

MR. LERNER: Which order are you referring to?

MR. HACKNEY: That's the Order appointing Ms. Kopacz.

MR. LERNER: There's a subsequent Order that changes that.

MR. HACKNEY: That changes what she has to produce?

MR. LERNER: Yes.

MR. HACKNEY: But does it take this out?

MR. LERNER: It's confined to what she relied on, not what she considered.

BY MR. HACKNEY:

Q. Okay. Did you rely on these communications in Exhibit 3 in reaching your opinions?

A. I would really have to go through each one of them.

Q. Okay.

MR. HACKNEY: Well, I guess we would

<p style="text-align: right;">Page 297</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 request that that occur. Your counsel can</p> <p>3 decide for themselves.</p> <p>4 I guess my personal view is that the</p> <p>5 quickest course would be to produce them all</p> <p>6 and I can suss out which are the substantive</p> <p>7 once and which are the ones that say, I'll</p> <p>8 talk to you at 3:00. But I leave that for</p> <p>9 you all to decide.</p> <p>10 A. I will represent to you most e-mail</p> <p>11 is about --</p> <p>12 BY MR. HACKNEY:</p> <p>13 Q. Scheduling?</p> <p>14 A. Scheduling.</p> <p>15 Q. Yea?</p> <p>16 A. There's very little, if any,</p> <p>17 substantive dialogue.</p> <p>18 Q. That's understood. I guess my</p> <p>19 expectation would be that you probably didn't rely</p> <p>20 on e-mails that say, I'll talk to you at 3:00.</p> <p>21 A. No.</p> <p>22 Q. But to the extent there is a</p> <p>23 substantive e-mail in which someone says, Here's</p> <p>24 some analysis or here's this, that's the type of</p> <p>25 e-mail you might have been more likely to rely on</p>	<p style="text-align: right;">Page 299</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 objection: Only that I don't know how this</p> <p>3 effects testimony with the mediation order.</p> <p>4 It's really your call. I just want to make</p> <p>5 sure you --</p> <p>6 MR. HACKNEY: I just can't imagine</p> <p>7 that the independent expert who doesn't have</p> <p>8 a stake in the case is part of the mediation,</p> <p>9 but --</p> <p>10 MR. STEWART: I didn't take a</p> <p>11 position. I just want to make sure that we</p> <p>12 didn't back into a problem.</p> <p>13 BY MR. HACKNEY:</p> <p>14 Q. Well, let's -- I mean, you never</p> <p>15 considered yourself to be part of the mediation,</p> <p>16 correct?</p> <p>17 A. Correct.</p> <p>18 Q. You're not a party to the case?</p> <p>19 A. I am not.</p> <p>20 Q. So -- so, you didn't understand</p> <p>21 yourself to be having communications incidental to</p> <p>22 the mediation when you talked with Mr. Rosen,</p> <p>23 correct?</p> <p>24 A. Correct.</p> <p>25 MR. KANE: Let me just make a</p>
<p style="text-align: right;">Page 298</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 and that's the type of e-mail I would want to see.</p> <p>3 Could you take a look at -- I'm</p> <p>4 sorry, these aren't numbered so we're going to</p> <p>5 have to work together with the dates a little bit.</p> <p>6 Take a look on April 23rd, your first</p> <p>7 entry for April 23rd. That was the day after your</p> <p>8 appointment; is that right?</p> <p>9 A. Yes.</p> <p>10 Q. And do you see that you met with</p> <p>11 Judge Rosen there?</p> <p>12 Do you see that?</p> <p>13 A. I did.</p> <p>14 Q. He's the Chief Judge of the Eastern</p> <p>15 District of Michigan. He's also the chief</p> <p>16 mediator in this case; is that right?</p> <p>17 A. That's correct.</p> <p>18 Q. Was that an in-person meeting?</p> <p>19 A. It was.</p> <p>20 Q. Where was it?</p> <p>21 A. In his chambers.</p> <p>22 Q. Tell me what you discussed with Judge</p> <p>23 Rosen?</p> <p>24 A. That meeting --</p> <p>25 MR. STEWART: I want to pose this one</p>	<p style="text-align: right;">Page 300</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 statement.</p> <p>3 She doesn't know. She -- counsel has</p> <p>4 never evaluated that on her behalf, so to the</p> <p>5 extent she asks questions, you ask questions</p> <p>6 and she answers them that are subject to some</p> <p>7 restriction or confidentiality, we're relying</p> <p>8 on all of you to say that's appropriate.</p> <p>9 MR. STEWART: My concern would only</p> <p>10 be if Judge Rosen told her something that</p> <p>11 unbeknownst to me, you or her was from the</p> <p>12 mediation session; so I don't know. It's --</p> <p>13 you'll have to question skillfully to avoid</p> <p>14 it is all.</p> <p>15 MR. HACKNEY: I just think if Judge</p> <p>16 Rosen did, we'd better know.</p> <p>17 MR. KANE: Here's what I'm saying,</p> <p>18 just so the record's clear. I'm not saying</p> <p>19 you can't ask her about it. I'm saying I</p> <p>20 don't want anyone saying she shouldn't have</p> <p>21 testified about that for some other reason or</p> <p>22 order that neither she nor her counsel knows</p> <p>23 about 'cause it's not within her or our</p> <p>24 scope.</p> <p>25 MR. HACKNEY: Understood.</p>

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<p style="text-align: right;">Page 301</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 And let me just respond to that,  3 counsel, by saying, I am familiar with the  4 mediation order and it is my personal  5 expectation that we're going to have a whole  6 separate set of problems if you were exposed  7 to a bunch of communications that we can't  8 examine you on, and I don't think you were,  9 by definition, because I don't think you're  10 part of the mediation.  11 I've asked you questions that  12 indicate that you don't think you were  13 either, and I don't know what more I could do  14 to establish that it's not.  15 So, okay. I just want to let you  16 know I'm not trying to trap you into telling  17 me a bunch of things you ought not to. I  18 gave this some thought and I don't see how  19 you're part of the mediation.  20 THE WITNESS: My directions and my  21 instruction from Judge Rosen, which we  22 subsequently clarified after I was allowed to  23 hire counsel, was that I don't really have  24 any protection in terms of confidentiality or  25 my discussions or any of that sort of thing.</p>	<p style="text-align: right;">Page 303</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 about the case background?  3 A. I -- you know, I really don't -- he  4 gave me, you know, kind of a background on who all  5 the players were, who the lawyers were, who the  6 parties were, who the mediators were.  7 Q. Do you remember any specific people  8 that he identified? Like do you remember him  9 talking about Syncora?  10 A. No.  11 Q. Do you remember him talking about  12 Mr. Stewart?  13 A. No.  14 Q. Any specific names you can remember,  15 specific creditors?  16 A. I remember it was Eugene Driker,  17 D-R-I-K-E-R. Mr. Driker is a mediator in this  18 case, but I also worked with him many, many years  19 ago on a matter and so we had a conversation about  20 how Gene and Elaine were.  21 Q. Okay. And that was kind of how are  22 they doing personally?  23 A. Yes. And, you know, it was just --  24 it was a common -- it was something we had in  25 common.</p>
<p style="text-align: right;">Page 302</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 MR. HACKNEY: Fair enough.  3 BY MR. HACKNEY:  4 Q. So with that helpful colloquy, can  5 you tell me what you discussed with Judge Rosen in  6 this first meeting?  7 A. This meeting was at Judge Rosen's  8 request and he -- we had lunch in his chambers and  9 he welcomed me to Detroit.  10 He welcomed me to the case and he  11 gave me background information on where the case  12 was. He asked questions of me as to what I  13 thought feasibility meant and what I intended to  14 do. He offered to arrange a tour of the City for  15 my team. That's what I recall.  16 Q. How long did you meet with him did  17 you meet with him?  18 A. Probably an hour.  19 Q. Do you remember what specifically --  20 A. Lunch.  21 Q. Oh, it was over lunch?  22 A. It was lunch, he had sandwiches.  23 Q. It was lunch in his office?  24 A. It was lunch in his office.  25 Q. What do you remember he told you</p>	<p style="text-align: right;">Page 304</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 Q. Did you talk about the grand -- it's  3 kind of hard to talk about the Detroit case  4 without talking about the grand bargain.  5 Did you discuss the grand bargain in  6 this meeting?  7 A. That was the first time I think I had  8 heard the term "grand bargain."  9 Q. What did he tell but the grand  10 bargain?  11 A. The grand bargain was -- I remember  12 him telling me I didn't name it the grand bargain.  13 But it was a -- in essence it was a public/private  14 partnership, if you will, between the City and  15 other private parties that would facilitate  16 getting monies to retirees.  17 Q. Do you remember anything else he told  18 you about the grand bargain?  19 A. I don't.  20 Q. Did he tell you that it was his idea?  21 A. I don't think he did.  22 Q. Did he tell that you Gene Driker was  23 involved in the creation of the grand bargain?  24 A. I don't recall.  25 Q. Did he tell you about his efforts --</p>

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<p style="text-align: right;">Page 305</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 whether he had engaged in of efforts to obtain</p> <p>3 funds from the foundations?</p> <p>4 A. I don't recall.</p> <p>5 Q. Did he tell you about how the amount</p> <p>6 of the grand bargain came about?</p> <p>7 A. I don't recall.</p> <p>8 Q. And then do you see that the very</p> <p>9 same day you get a call from Eugene, I think it</p> <p>10 means to say Driker on here?</p> <p>11 A. It should say Driker, it's a typo.</p> <p>12 Q. Was that a short call, just</p> <p>13 scheduling the tour?</p> <p>14 A. Yes.</p> <p>15 Q. What did you talk about with Mr.</p> <p>16 Driker on that call? Do you remember?</p> <p>17 A. We talked about how long it had been</p> <p>18 since we had seen each other. Right? And that he</p> <p>19 wanted to arrange a tour for me and my team. And</p> <p>20 we talked about when I would have my team in place</p> <p>21 in Detroit so that we could do that.</p> <p>22 Q. Okay. And was there anything else</p> <p>23 that you can recall about that call?</p> <p>24 A. I don't.</p> <p>25 Q. Now, do you see that on April 25th</p>	<p style="text-align: right;">Page 307</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So, were you just -- I guess I'm</p> <p>3 trying to understand when you were thinking, I</p> <p>4 need to talk to the DIA, why were you thinking</p> <p>5 that you need to talk to the DIA to assess</p> <p>6 feasibility?</p> <p>7 A. I needed to -- I wanted to talk with</p> <p>8 everybody that could give me information that</p> <p>9 would help me understand the status of the case,</p> <p>10 what the plan was about, and anything that might</p> <p>11 impact on my assessment of feasibility.</p> <p>12 Q. Okay. I guess -- so let me take a</p> <p>13 step back.</p> <p>14 Here's a fair point which is, I guess</p> <p>15 if the funding for the DIA is not going to come</p> <p>16 in, that could have an impact on feasibility; is</p> <p>17 that fair?</p> <p>18 A. Yes.</p> <p>19 Q. And was that one of your concerns?</p> <p>20 A. Yes.</p> <p>21 Q. And did you have communications with</p> <p>22 Mr. O'Reilly or others that were aimed at</p> <p>23 understanding the likelihood of the foundations to</p> <p>24 make their contributions?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 306</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 you had a call with Arthur O'Reilly of Honigman --</p> <p>3 you had an e-mail from him?</p> <p>4 A. Yes.</p> <p>5 Q. You had an e-mail with him?</p> <p>6 A. I had an -- I don't know if --</p> <p>7 Q. Is that you to him or him to you?</p> <p>8 A. Most of these e-mails were outbound</p> <p>9 from me to these people.</p> <p>10 Q. Why did you want to schedule a</p> <p>11 meeting with the DIA?</p> <p>12 A. I was -- I was on my listening tour</p> <p>13 during those early weeks and I was trying to</p> <p>14 schedule meetings with everybody that could give</p> <p>15 me information and all of the various stakeholders</p> <p>16 in the matter.</p> <p>17 Q. How does the DIA figure into the</p> <p>18 City's feasibility, if at all, though?</p> <p>19 A. At this point it does not. But --</p> <p>20 Q. Okay. Why is that?</p> <p>21 A. -- at that point -- because the grand</p> <p>22 bargain has -- has transferred those assets out of</p> <p>23 the -- they're not in the plan, so...</p> <p>24 Q. Sorry. Were they ever in the plan?</p> <p>25 A. No, they were never in the plan.</p>	<p style="text-align: right;">Page 308</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Who did you -- and the general</p> <p>3 background of why the foundations contributed and</p> <p>4 the whole nine yards?</p> <p>5 A. I -- I met with the executive team</p> <p>6 from the DIA. Right? I met with chairman of the</p> <p>7 board. I met with foundations -- I mean, I think</p> <p>8 they're all detailed in here.</p> <p>9 Q. So, like when it came to the</p> <p>10 executives -- let's start with the foundations.</p> <p>11 What foundations did you speak to</p> <p>12 specifically about the grand bargain?</p> <p>13 MR. KANE: Can I interject for a</p> <p>14 minute. Did you view this as going to her</p> <p>15 opinion on feasibility or reasonableness of</p> <p>16 assumptions?</p> <p>17 And the only reason I'm asking that,</p> <p>18 and I will, again, defer to parties who know</p> <p>19 more about the issues and dynamics of the</p> <p>20 case, is because the Order appointing her</p> <p>21 also limits what she's supposed to testify</p> <p>22 about to those two issues.</p> <p>23 So, again, in my interest, limited to</p> <p>24 protecting Ms. Kopacz's interest, I don't</p> <p>25 want her to go outside the bounds of that</p>

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<p style="text-align: right;">Page 309</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 Order as reflected in Exhibit 2. 3 MR. HACKNEY: Well, I guess these are 4 all communications that the Court ordered her 5 to log and I'm trying to make sure I 6 understand all of the content associated with 7 them so I can evaluate whether it did. 8 So it's a little bit unknowable 9 because I can imagine situations where people 10 told her fact X about why a foundation 11 contributed or whether it was good for the 12 money and that has an impact on -- 13 MR. KANE: Hold on -- 14 MR. HACKNEY: -- feasibility in terms 15 of City contributions. 16 MR. KANE: And I don't object to that 17 and to the extent you're assessing whether it 18 relates to that, I wouldn't object to it. 19 All I'm saying is I'm making you aware of her 20 limits on her testimony here so -- 21 MR. HACKNEY: Yes. 22 MR. KANE: Okay. 23 MR. HACKNEY: I mean, I understand 24 people may have told her things like their 25 favorite flavor of ice cream, but -- not to</p>	<p style="text-align: right;">Page 311</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 deposition and trial testimony." 3 So, if it's something she relied on, 4 clearly it's within this paragraph. But if 5 it's not something she relied on, I'm 6 assuming it's beyond the scope of what she 7 can be examined about. 8 Maybe I'm wrong -- 9 MR. HACKNEY: No, no, no. Because 10 the standards for discovery are reasonably 11 calculated to lead to discovery of admissible 12 evidence. 13 MR. STEWART: I'm just wondering 14 whether his order doesn't trump that. 15 MR. LERNER: By the way, this is the 16 order to which I was referring, amends the 17 original order that limits disclosure -- 18 MR. HACKNEY: I mean, guys, this is a 19 discovery deposition. I mean, I'm asking 20 questions about communications the witness 21 had. You know, it's -- they're logged in a 22 report. 23 MR. KANE: And I haven't stopped 24 you -- 25 MR. HACKNEY: I know.</p>
<p style="text-align: right;">Page 310</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 be disrespectful, I'm not being -- 3 MR. KANE: No, I -- 4 MR. HACKNEY: But I'm saying to pick 5 something that is clearly unrelated to her 6 opinion, I am still trying to exhaust her 7 knowledge on all of these subjects, even if 8 somebody told you something is mundane, just 9 because we tend not to decide today what is 10 and is not something that could have impacted 11 you, we just try to understand it all. 12 MR. KANE: Fair enough. 13 MR. HACKNEY: I appreciate the 14 interjection, but -- 15 MR. STEWART: Do you want to mark 16 this? I don't want to get in the middle. 17 I'm just raising the same question. 18 Paragraph -- this is the Judge's 19 order of May 14th. Maybe there are other 20 orders, you all are closer to it than me. 21 When he talks about what is disclosed, 22 Paragraph 3 of this Order says, "All 23 information that the expert witness relies 24 upon would be subject to disclosure in 25 connection with the expert witness' report,</p>	<p style="text-align: right;">Page 312</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 MR. KANE: But once we establish what 3 it was about -- and I'm not even trying to 4 stop you now. 5 MR. HACKNEY: I understand. I just 6 note the second sentence here says that she 7 may not accept any information on the -- with 8 the promise or representation of 9 confidentiality. So it's sort of like don't 10 -- don't mislead people into thinking they 11 can tell you things on the sly and then you 12 won't have to testify. 13 So my personal view it's been 14 transparency across the board for Ms. Kopacz, 15 and I don't what want to have to get the 16 Judge on the phone and spend more time. I 17 just want to go through these things and 18 understand what she was told. 19 MR. STEWART: Let me suggest this. 20 You could ask questions for foundational 21 purposes, see if it's something she relied on 22 and then we'll -- 23 MR. HACKNEY: I actually, I don't 24 accept that limitation. 25 MR. STEWART: Then I was going to say</p>

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<p style="text-align: right;">Page 313</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 you can give me a standing objection and I'm</p> <p>3 not going to interrupt.</p> <p>4 MR. HACKNEY: Absolutely. This</p> <p>5 doesn't preclude you from objecting to that</p> <p>6 on trial. Absolutely.</p> <p>7 MR. KANE: Steve, I'm going to say</p> <p>8 one more thing and then just to kind of tie a</p> <p>9 bow around what I'm saying.</p> <p>10 Exhibit 2 that we have marked, the</p> <p>11 earlier Order, Paragraph 3 limits the things</p> <p>12 she is, to quote, testify about.</p> <p>13 So now that I've raised that, my view</p> <p>14 is Ms. Kopacz's interests are addressed and</p> <p>15 where that line is drawn is for the rest of</p> <p>16 you with objections or otherwise to address,</p> <p>17 not for me or her.</p> <p>18 MR. HACKNEY: I appreciate that. And</p> <p>19 I acknowledge all admissibility objections</p> <p>20 are reserved. So maybe we can make that</p> <p>21 clear and get through the rest of this.</p> <p>22 'Cause I -- I think that if we work together</p> <p>23 I can get through today and not carryover for</p> <p>24 tomorrow, and I know someone sitting across</p> <p>25 from me who will be glad to see the back of</p>	<p style="text-align: right;">Page 315</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 that or Ms. Trudeau?</p> <p>3 Rapson, R-A-P-S-O-N.</p> <p>4 A. That he was very encouraged. He was</p> <p>5 pleased with the earlier responses. He was -- at</p> <p>6 that point in time he believed that they were</p> <p>7 going to be able to raise more than the 300- or</p> <p>8 \$350 million that was originally projected for the</p> <p>9 foundation's contribution.</p> <p>10 Q. Did he tell you why the Kresge</p> <p>11 Foundation decided to contribute?</p> <p>12 A. I don't think so.</p> <p>13 Q. Did he tell you about any of the</p> <p>14 communications that he had with the other</p> <p>15 foundations about what people said in terms of</p> <p>16 their enthusiasm or whatnot?</p> <p>17 A. Yes.</p> <p>18 Q. What did he say?</p> <p>19 A. I remember him telling -- we talked</p> <p>20 specifically about the Ford Foundation and the</p> <p>21 fact that the Ford Foundation many years ago had</p> <p>22 moved to New York, but was really interested in</p> <p>23 contributing again to directly into Detroit.</p> <p>24 We talked about the Carnegie Mellon</p> <p>25 -- one of the Carnegie Mellon type of foundations</p>
<p style="text-align: right;">Page 314</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 me. But when we lose time a little bit, I'm</p> <p>3 not complaining. But I do want to get</p> <p>4 through this.</p> <p>5 BY MR. HACKNEY:</p> <p>6 Q. You were saying that had you met with</p> <p>7 the foundations -- certain of the foundations</p> <p>8 themselves.</p> <p>9 A. I met with the Kresge Foundation.</p> <p>10 Q. That's Mr. Rapson?</p> <p>11 A. That's Rapson. Yes. And Laura</p> <p>12 Trudeau.</p> <p>13 Q. What did you talk about with them?</p> <p>14 A. Lots of things.</p> <p>15 Q. And I know that you can also discuss</p> <p>16 Detroit future city with Kresge because they're</p> <p>17 involved in Detroit future city. Let's separate</p> <p>18 grand bargain from Detroit future city.</p> <p>19 What did you talk about on the</p> <p>20 subject of the grand bargain?</p> <p>21 A. On the grand bargain we talked about</p> <p>22 the fund raising for the grand bargain from the</p> <p>23 foundations and the various private funding</p> <p>24 sources.</p> <p>25 Q. What did Mr. Rapson tell you about</p>	<p style="text-align: right;">Page 316</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 because of their commitment to art.</p> <p>3 So it was, it was a broader outreach</p> <p>4 both in terms of endowments and -- and foundations</p> <p>5 that were really committed to the preservation of</p> <p>6 art and those that were committed to the City of</p> <p>7 Detroit.</p> <p>8 Q. Did he tell you how it came to pass</p> <p>9 that the money was directed to the retirees</p> <p>10 instead of to the City?</p> <p>11 A. No.</p> <p>12 Q. Anything else that you can recall</p> <p>13 discussing with Mr. Rapson?</p> <p>14 A. We talked -- we had an extensive</p> <p>15 conversation about future cities and we talked</p> <p>16 about the level of private funding that Detroit</p> <p>17 experiences, separate and apart from the things</p> <p>18 that were particular to the bankruptcy.</p> <p>19 Q. And private funding is germane to</p> <p>20 feasibility because it impacts things that happen</p> <p>21 in the City in terms of its health, correct?</p> <p>22 A. It's -- it was it was factor that I</p> <p>23 considered positively in that there's a lot of</p> <p>24 private funding that has gone in and Mr. Rapson</p> <p>25 believes will continue to come into the City that</p>

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<p style="text-align: right;">Page 317</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 kind of supplements what -- what the City spends.</p> <p>3 So a perfect example of that is when</p> <p>4 Roger Penske and Dan Gilbert bought police</p> <p>5 cruisers. That's unheard of. The private</p> <p>6 citizens write checks to governments to do things</p> <p>7 that governments should do.</p> <p>8 Q. So, let me -- with these first two,</p> <p>9 you get an e-mail that -- you have an e-mail</p> <p>10 exchange with Mr. O'Reilly.</p> <p>11 Was it merely to schedule your</p> <p>12 meeting with the DIA folks?</p> <p>13 A. It was.</p> <p>14 Q. We can talk about that later when we</p> <p>15 hit it on this log. I take it you didn't have any</p> <p>16 other interaction with Mr. O'Reilly?</p> <p>17 A. I don't know Mr. O'Reilly, no.</p> <p>18 Q. What did Mr. Levin write to you about</p> <p>19 the --</p> <p>20 A. I actually think that I reached out</p> <p>21 to Mr. Levin first. I mean, they're all the same</p> <p>22 date, so it's kind of hard.</p> <p>23 Q. These are you e-mailing people?</p> <p>24 A. Yes. And I think, because I know</p> <p>25 Mr. Levin, I reached out to him and he said really</p>	<p style="text-align: right;">Page 319</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 looked at blight. We looked at the waterfront.</p> <p>3 We looked at the old Packard building. We looked</p> <p>4 at the Michigan train station.</p> <p>5 Q. Anything else you can recall from</p> <p>6 that tour?</p> <p>7 A. No, not really.</p> <p>8 MR. HACKNEY: We're about near the</p> <p>9 end of this tape so it might be a good time</p> <p>10 to take an afternoon restroom break and we</p> <p>11 can try and push through the rest of this</p> <p>12 here.</p> <p>13 THE WITNESS: Okay.</p> <p>14 THE VIDEOGRAPHER: Thank you. The</p> <p>15 time now is approximately 4:27 p.m. We're</p> <p>16 going off the record. This is the end of</p> <p>17 Disk Number 4.</p> <p>18 (Whereupon, there was a brief recess</p> <p>19 in the proceedings.)</p> <p>20 THE VIDEOGRAPHER: The time now is</p> <p>21 4:39 p.m. We're back on the record. This is</p> <p>22 the beginning of Disk Number 5.</p> <p>23 BY MR. HACKNEY:</p> <p>24 Q. Ms. Kopacz, welcome back.</p> <p>25 A. Thank you.</p>
<p style="text-align: right;">Page 318</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the person you need to talk to is Mr. O'Reilly.</p> <p>3 Q. Got it. Take a look down on April</p> <p>4 30th. Do you see that you do a bus tour of the</p> <p>5 City with Mr. Driker and Jerry Stroop?</p> <p>6 A. Yes.</p> <p>7 Q. How long did that bus tour go on for?</p> <p>8 A. About three hours, three and a half</p> <p>9 hours.</p> <p>10 Q. And do you remember what Mr. Driker</p> <p>11 described during that bus tour, if anything to</p> <p>12 you?</p> <p>13 A. We -- on that bus tour was my team as</p> <p>14 out there, there was Mr. Driker and his wife, and</p> <p>15 Jerry Stroop from Wayne State and the bus we were</p> <p>16 on was courtesy of the president of Wayne State.</p> <p>17 And we did Mr. Driker's the good, the</p> <p>18 bad, and the ugly in Detroit.</p> <p>19 Q. Can you remember what was discussed</p> <p>20 on that bus tour?</p> <p>21 A. I mean, we -- we went to Bell Isle --</p> <p>22 Q. Mainly pointing out areas saying this</p> <p>23 is Bell Isle, this is the art institute?</p> <p>24 A. We went to Bell Isle. We went to the</p> <p>25 art institute. We did the midtown stuff. We</p>	<p style="text-align: right;">Page 320</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Ma'am, I'd like to save some time</p> <p>3 because I questioned you fairly extensively about</p> <p>4 the revenue assumptions and with respect to the</p> <p>5 cost assumptions, I'm happy to go through each one</p> <p>6 of them like we did before. But I was wondering</p> <p>7 if I could establish something that I thought</p> <p>8 emerged fairly consistently on the revenue</p> <p>9 assumption which was, to the extent a description</p> <p>10 regarding a particular cost assumption doesn't</p> <p>11 include a specific finding by you regarding the</p> <p>12 reasonableness of that cost assumption, is it fair</p> <p>13 for the Court to infer that you did not make a</p> <p>14 specific finding about that cost assumption and</p> <p>15 that you treated it merely as part of your</p> <p>16 aggregate opinion?</p> <p>17 A. Generally, I think that is a correct</p> <p>18 statement.</p> <p>19 THE VIDEOGRAPHER: Can you please put</p> <p>20 your mike on and then maybe repeat your</p> <p>21 answer. Thank you.</p> <p>22 THE WITNESS: I said generally I</p> <p>23 believe that is a correct statement.</p> <p>24 BY MR. HACKNEY:</p> <p>25 Q. Okay. Ma'am, are you aware that --</p>

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<p style="text-align: right;">Page 321</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 you know what the COPs are, the certificates of</p> <p>3 participation?</p> <p>4 A. Generally, yes.</p> <p>5 Q. Do you know that the COPs -- that the</p> <p>6 City soon to invalidate the COPs?</p> <p>7 A. I'm aware of that, yes.</p> <p>8 Q. Do you know that the COPs assert that</p> <p>9 if the COPs are invalidated, that the pension</p> <p>10 funds have to give back the approximately</p> <p>11 billion-four that was raised?</p> <p>12 A. I've heard you say that before.</p> <p>13 Q. And do you know -- I know you and I</p> <p>14 have talked about this and I've tried to describe</p> <p>15 sort of the general lay of the land, we've had a</p> <p>16 conversation on that subject, right?</p> <p>17 A. We have.</p> <p>18 Q. I mean, separate and part from me</p> <p>19 like -- do you know the fact that there have</p> <p>20 actually been claims filed or that the COPs have</p> <p>21 indicated that they would file these types of</p> <p>22 claims in the litigation or is it just based on</p> <p>23 what I told you?</p> <p>24 A. It's based on what you told me. I</p> <p>25 didn't do any independent research.</p>	<p style="text-align: right;">Page 323</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And I think my question was did you</p> <p>3 consider whether the City's plan was feasible in</p> <p>4 that circumstance?</p> <p>5 A. No.</p> <p>6 Q. Okay. As you sit here today, do you</p> <p>7 believe the City's plan would be feasible if that</p> <p>8 were to come to pass; that the City had to -- that</p> <p>9 the pension systems had to disgorge a</p> <p>10 billion-four?</p> <p>11 A. I don't know.</p> <p>12 Q. Okay. Do you believe that that's a</p> <p>13 sufficiently material issue as it relates to the</p> <p>14 City's potential pension obligations, that it</p> <p>15 could impact your opinion?</p> <p>16 A. It is -- it is an issue. I've</p> <p>17 identified it in my report, along with a lot of</p> <p>18 other issues that are unresolved, that, depending</p> <p>19 on how they ultimately resolve themselves and what</p> <p>20 position, condition the City's in, could --</p> <p>21 Q. Oh, I see. I didn't take your -- I</p> <p>22 saw the disclosure on that, but I actually read</p> <p>23 the disclosure to say that if the COPs were</p> <p>24 determined to be valid, it might impose higher</p> <p>25 obligations on the city, not addressing the</p>
<p style="text-align: right;">Page 322</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So your kind of understanding of the</p> <p>3 COPs invalidity case is based on the conversation</p> <p>4 that you had and I had about that subject?</p> <p>5 A. Yes.</p> <p>6 Q. Let me just ask you a freestanding</p> <p>7 question, then, which is assume hypothetically</p> <p>8 that at some point in the future, it could be a</p> <p>9 year after the bankruptcy plan is confirmed or</p> <p>10 three years, something in the order of one to five</p> <p>11 years, assume that the pension systems are ordered</p> <p>12 to disgorge a billion-four back to the COPs.</p> <p>13 Okay?</p> <p>14 Have you made a determination as to</p> <p>15 whether the City would be feasible in that</p> <p>16 instance?</p> <p>17 A. I have not.</p> <p>18 Q. In your opinion, you are assuming</p> <p>19 that that has not come to pass; is that correct?</p> <p>20 A. Correct.</p> <p>21 MR. LERNER: Let me interrupt. Your</p> <p>22 question is the City's feasible.</p> <p>23 MR. HACKNEY: Is the City's plan</p> <p>24 feasible. Fair amendment. Is the City's</p> <p>25 plan feasible.</p>	<p style="text-align: right;">Page 324</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 situation where they're determined to be invalid</p> <p>3 but they get disgorgement back.</p> <p>4 A. We can read it.</p> <p>5 Q. That's okay. It says what it says.</p> <p>6 Let me try to -- let me put it this</p> <p>7 way, though: If you knew today that there was a</p> <p>8 high probability that the pension systems would</p> <p>9 disgorge \$1.4 billion and that the City would have</p> <p>10 the obligation to make up the difference, would</p> <p>11 you find the plan feasible?</p> <p>12 A. I would have to talk with the City</p> <p>13 about how they intended to make up that deficiency</p> <p>14 or modify the plan.</p> <p>15 Q. Certainly if you modified the plan to</p> <p>16 take account of it, that could be a way it could</p> <p>17 become feasible. But under this plan's forecast,</p> <p>18 would the City be feasible if it had an additional</p> <p>19 \$1.4 billion obligation thrust upon it?</p> <p>20 A. I don't know, but probably not.</p> <p>21 Q. Okay. And it's not something you've</p> <p>22 evaluated?</p> <p>23 A. It is not.</p> <p>24 Q. Okay. Going back to this the chart</p> <p>25 here. If you look down at May 7th.</p>

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1 - MARTI KOPACZ - VOLUME 1-

2 A. Uh-huh.

3 Q. Do you have that in front of you,  
4 ma'am?

5 A. I do.

6 Q. Do you see that you had a call with  
7 Judge Rosen? Do you see that?

8 A. I did.

9 Q. And what did you and Judge Rosen  
10 discuss on that call?

11 A. I called Judge Rosen because I was  
12 having difficulty accessing some information and  
13 that the City's counsel had requested to  
14 participate in all meetings and interviews that I  
15 had and I was honoring the order that the Judge  
16 had entered in April appointing me not to have any  
17 ex parte communication.

18 And I didn't know where to turn and I  
19 called Judge Rosen and I said, this is what I'm  
20 faced with and he said, you have my permission to  
21 call Judge Rhodes.

22 Q. I see. So Judge Rosen gave you  
23 permission to call Judge Rhodes?

24 A. He said it's okay. He said, for  
25 something like this, you can call him. And that's

1 - MARTI KOPACZ - VOLUME 1-

2 what I did.

3 Q. Okay. So did you talk about anything  
4 else other than that?

5 A. No.

6 Q. Okay. So -- so that went in an  
7 unexpected direction for me.

8 So were you -- were you saying, I  
9 want to talk to Judge Rhodes about it or did he  
10 say --

11 A. No.

12 Q. -- you've got to talk to Judge  
13 Rhodes?

14 A. I said I -- I've got these issues, I  
15 don't know how to handle them. Right. And he  
16 said -- and I said, I know I'm not supposed to  
17 talk to the Judge. And he said, in this instance  
18 you need to call the Judge and ask him what he  
19 wants you to do about it.

20 And at that point -- I never, ever  
21 did talk to him at that juncture, but he said  
22 "send me a letter."

23 Q. Judge Rhodes did?

24 A. Judge Rhodes said "send me a letter."  
25 So that was my first letter that I sent to the

1 - MARTI KOPACZ - VOLUME 1-

2 Court and --

3 Q. Let me -- sorry. Let me catch up to  
4 you before you go ahead of me. I'm sorry, I  
5 didn't mean to interrupt you. I didn't mean to be  
6 rude. I'm just trying to keep it organized  
7 chronologically.

8 Did Judge Rosen say that he had  
9 talked to Judge Rhodes and that Judge Rhodes said  
10 it was okay or was Judge Rosen just saying that  
11 unbidden, as far as you could tell?

12 A. Judge Rosen said, you -- again, I  
13 think you need to touch base with Judge Rhodes on  
14 this.

15 Q. Okay.

16 A. And even though you're not supposed  
17 to have ex parte communication, you need to call  
18 his office, explain the situation, and get  
19 direction on how he wants you to handle that.

20 Q. Okay. And so, then did you just say,  
21 okay, I will do that?

22 A. Yes.

23 Q. Okay. Did you say how do you know,  
24 Judge Rosen, what Judge Rhodes wants me to do?

25 A. He --

1 - MARTI KOPACZ - VOLUME 1-

2 Q. You're in a tough spot, I'm just  
3 curious --

4 A. Judge Rosen said, If he gets mad at  
5 you, tell him I said it was okay.

6 Q. Okay. Well, that's fair enough. I'm  
7 not making fun of you, you were in a -- what was  
8 the problem you were having that militated the  
9 call?

10 A. There are really two things, we were  
11 having trouble getting the working models. Okay.  
12 And counsel had requested to participate in all of  
13 my interviews.

14 Q. Was that bogging you down a bit in  
15 terms of setting them up?

16 A. It was just -- it was raising the  
17 whole issue of, you know, what sort of openness I  
18 would have. And again, it wasn't going to affect  
19 the questions I asked. Right. But it might  
20 affect what people were telling me.

21 Q. Interesting. Okay.

22 Now, so then you -- okay, so I'm  
23 assuming you got off the phone with Judge Rosen  
24 and you called Judge Rhodes?

25 A. I called Judge Rhodes.

- MARTI KOPACZ - VOLUME 1-

Q. You called his chambers?

A. I did.

Q. You did not speak with the man himself, though?

A. I did not.

Q. Who did you speak with?

A. I spoke to Christine.

Q. Christine Secula?

A. Secula.

Q. Where you relayed to her and said Judge Rosen told me to call Judge Rhodes about the problems I'm having or words to that effect.

A. Yes.

Q. And what did she say?

A. She said let me -- she said I will make the Judge aware of it.

Q. Okay. So then -- then what happened on this front? Did she call you back?

A. And she called me back and said "send Judge Rhodes a letter."

Q. I see.

A. "And he will schedule it promptly for hearing."

Q. And not to sharp shoot you, I take it

- MARTI KOPACZ - VOLUME 1-

some point after I had been appointed. I actually reached out to all of the other candidates that had been part of the -- the short list of people interviewed and I knew that obviously the Judge had -- had appointed Mr. Ravitch as a nontestifying expert and so this was I believe Mr. Ravitch's first visit to Detroit and Mr. Gleason and I met with him to give him some background on what we were doing.

Q. So this was -- and so where did you meet with him?

A. In the -- the work space we had at the City building.

Q. Was that the Coleman A. Young administrative center that you worked in?

A. Yes.

Q. Okay. I think --

A. City Hall.

Q. -- City Hall for lack of a better term?

A. Yes.

Q. And how long did your meeting with Mr. Ravitch go for?

A. I don't know. We could look at my

- MARTI KOPACZ - VOLUME 1-

her calling you back is kind of subsumed in this entry here of your call to Judge Rhodes?

A. Yes.

Q. That was one where it kind of went bang-bang and so in your mind it was all one?

A. Yes.

Q. Okay.

A. I -- I would, yes. I would not have entered two --

Q. Yeah.

A. -- call reply.

Q. Okay.

A. No, all I'd be doing was logging stuff.

Q. Yeah, it gets tiresome too.

So, on May 7th -- okay, then this is all the same day. Okay? This is a big -- big day. Then Mr. Ravitch called you -- or you the call him -- or you meet with him. I'm sorry. Do you see that?

A. I do.

Q. Now, where did you -- first of all, who initiated the meeting?

A. I had reached out to Mr. Ravitch at

- MARTI KOPACZ - VOLUME 1-

time records.

Q. Okay. So you have time records. Okay.

Was it more than like, Hey, how are you doing? Was it an hour?

A. Like I said, I don't know. I mean it -- I'm -- I think it was more than an hour.

Q. Yeah. It was a substantive meeting?

A. Yes.

Q. And what did you tell him about what you all were doing?

A. I think we shared -- I'm -- I'm -- my recollection is we talked about what we were doing, what the approach was, how our team was structured. Who we had met with, who we were meeting with. Shared with him what we knew of kind of the professionals and what people were doing, what E&Y was doing, what Conway was doing, the other professionals involved.

Q. And then what did he tell about what he was doing, if anything?

MR. KANE: Wait a minute. Isn't he the Court's nontestifying expert?

MR. HACKNEY: Yeah.

1 - MARTI KOPACZ - VOLUME 1-

2 MR. KANE: Then why would you be  
3 entitled to discover what he said about what  
4 he was doing or thinking?

5 MR. HACKNEY: Because it was  
6 communications that he had with the person  
7 who is doing the testifying. I want to know  
8 what she was told.

9 MR. KANE: Well, what he was doing  
10 would not be discoverable and under 26(b)(4),  
11 just because there's a communication with an  
12 expert doesn't mean it's discoverable at  
13 least since 2010.

14 MR. HACKNEY: Well, it's not  
15 privileged.

16 MR. KANE: You're trying to discover  
17 communications of a nontestifying expert,  
18 right?

19 MR. HACKNEY: I'm trying to discover  
20 communications with a testifying expert. If  
21 he says, I'm working on this and I think it's  
22 really important that whatever happens in  
23 this City includes a ton of blight  
24 remediation, I have to understand what he  
25 said because of the impact it may have had on

1 - MARTI KOPACZ - VOLUME 1-

2 Judge Rhodes' nontestifying expert.

3 MR. HACKNEY: I don't -- I can't  
4 imagine that I'm not entitled to ask her  
5 about these questions where the Judge's order  
6 forbids this witness from communicating with  
7 him. So to the extent that he's the party,  
8 26(b)(4) wouldn't apply in this circumstance.  
9 This is not your normal circumstance. And if  
10 we have to get the Court on the phone, let's  
11 get him on the phone.

12 MR. KANE: Well, look, as I told you  
13 before, I guess I have both the burden and  
14 luxury of being in a position of ignorance  
15 about most of the issues about what's going  
16 on in the case. So, I guess if you guys are  
17 going to sort it out and you're telling her  
18 you want her to disclose to you what the  
19 Judge's nontestifying expert said, which I  
20 have no idea what it is --

21 MR. HACKNEY: I don't either.

22 MR. KANE: -- then I'm going to leave  
23 that to you and the rest of the parties.

24 MR. HACKNEY: I appreciate that. I'm  
25 not aware of any privilege that applies to

1 - MARTI KOPACZ - VOLUME 1-

2 this witness.

3 MR. KANE: Because it's communication  
4 to her?

5 MR. HACKNEY: Yes. It's -- it's a  
6 clearly potentially discoverable  
7 communication.

8 MR. KANE: On what basis?

9 MR. HACKNEY: I want to know what  
10 Mr. Ravitch said to her.

11 MR. KANE: I know. That's my  
12 concern.

13 MR. HACKNEY: You're not -- you're  
14 not limited to asking someone about what they  
15 relied on. You're -- you're entitled to ask  
16 questions that are reasonably calculated to  
17 lead to the discovery of admissible evidence.

18 MR. KANE: Within the limites of  
19 26(b)(4), which would tell you that  
20 communications with a party -- between a  
21 party and the expert are protected by work  
22 product --

23 MR. HACKNEY: Well, not --

24 MR. KANE: -- and specific  
25 communications you're asking her about are

1 - MARTI KOPACZ - VOLUME 1-

2 it. I don't know whether he said anything.

3 He may have said I love Snickers bars, or he  
4 might have sat silently or whatever.

5 BY MR. HACKNEY:

6 Q. I just want to know what he told you.  
7 Until I know what he told you, I can't know what  
8 impact it may or may not have had on you.

9 MR. KANE: Or at least right now,  
10 before, again, from my position of ignorance,  
11 we should seek further guidance, go ahead and  
12 answer for know now.

13 THE WITNESS: Mr. Ravitch told me  
14 that he really had no clue as to what  
15 Judge Rhodes want him to do.

16 BY MR. HACKNEY:

17 Q. Okay. Anything other than that that  
18 you remember?

19 A. No.

20 Q. So the information transfer in this  
21 instance was mainly going from you to him. He was  
22 mainly listening and you were mainly talking?

23 A. Yes.

24 Q. Okay. Now, did you tell him that  
25 there was anything that he could or could not do

<p style="text-align: right;">Page 337</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 with the information that commune -- you</p> <p>3 communicated to him?</p> <p>4 A. I don't think so, no.</p> <p>5 Q. Okay. And what was your expectation</p> <p>6 about what he would do with the information that</p> <p>7 you gave to him?</p> <p>8 A. I don't think I had any expectation.</p> <p>9 Q. Or just, I guess, help me understand</p> <p>10 why you were meeting with him.</p> <p>11 A. Mr. Ravitch, the Judge had retained</p> <p>12 him to be his nontestifying expert. Mr. Ravitch</p> <p>13 has had enormous amount history and experience in</p> <p>14 difficult municipal situations and I think that,</p> <p>15 again, with -- my desire throughout this entire</p> <p>16 situation has been to absorb every bit of</p> <p>17 information that I can, to -- to get as much</p> <p>18 information as I can, to be a sponge, if you will.</p> <p>19 And Mr. Ravitch is very knowledgeable about</p> <p>20 municipal finance and a lot of things having from</p> <p>21 his days of turning around the MTA here in New</p> <p>22 York and being involved with the insolvency of New</p> <p>23 York City and various and sundry -- being</p> <p>24 lieutenant governor of the state. So...</p> <p>25 Q. So were you mainly conveying what you</p>	<p style="text-align: right;">Page 339</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the case and what you were thinking about?</p> <p>3 A. Generally, yes.</p> <p>4 Q. And was it for the purpose of</p> <p>5 obtaining his feedback about what he thought based</p> <p>6 on his experience?</p> <p>7 A. There -- there were --</p> <p>8 Q. He's a pretty valuable resource,</p> <p>9 so...</p> <p>10 A. He's a very valuable resource and --</p> <p>11 and Mr. Ravitch knows a lot about municipal</p> <p>12 budgeting. He's got some very definite views on</p> <p>13 that. He knows a lot about public pensions and,</p> <p>14 again, he is one of many resources that, you know,</p> <p>15 I think I -- I have reached out to. I reached out</p> <p>16 to Peter Hammer who was also part of the short</p> <p>17 list of people interviewed.</p> <p>18 Q. Now, sorry to interrupt.</p> <p>19 A. Yeah.</p> <p>20 Q. I was going to say, now, Mr. Ravitch,</p> <p>21 I don't have his order appointment in front of me,</p> <p>22 but he was somebody who was also I think</p> <p>23 interviewed for the position of feasibility</p> <p>24 expert, correct?</p> <p>25 A. Correct.</p>
<p style="text-align: right;">Page 338</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 were doing to him because you wanted to get his</p> <p>3 responses as to whether he thought you were doing</p> <p>4 the right types of stuff?</p> <p>5 A. I wasn't so -- I wasn't concerned</p> <p>6 about whether Mr. Ravitch thought my approach</p> <p>7 or -- to it was right or wrong, right? I was -- I</p> <p>8 was comfortable in knowing what we needed to do.</p> <p>9 I was interested in picking -- you know, listening</p> <p>10 to what he had to say and what the lessons learned</p> <p>11 that he had from all of his prior experiences.</p> <p>12 Q. Okay. Did he relay any of those to</p> <p>13 you in this meeting?</p> <p>14 A. I don't know if it was in that</p> <p>15 meeting or -- or a subsequent meeting, but we --</p> <p>16 you know, we have talked extensively about the New</p> <p>17 York situation and why they were successful in</p> <p>18 saving the City from bankruptcy and turning it</p> <p>19 around. Those kinds of things.</p> <p>20 Q. And, in fact, you have had a number</p> <p>21 of communications with Mr. Ravitch either in</p> <p>22 person or on the phone; isn't that correct?</p> <p>23 A. That's correct.</p> <p>24 Q. Okay. And over time, did you</p> <p>25 continue to convey to him what you were doing on</p>	<p style="text-align: right;">Page 340</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And is it your understanding that the</p> <p>3 advice he was rendering to the Court was on a</p> <p>4 subject of feasibility?</p> <p>5 A. I don't know.</p> <p>6 Q. Okay. 'Cause in the first meeting he</p> <p>7 told you that he had no idea what the Judge wanted</p> <p>8 him to do?</p> <p>9 A. Right.</p> <p>10 Q. Did he subsequently convey to you</p> <p>11 that he now understood what he was doing and tell</p> <p>12 you what he was doing?</p> <p>13 A. My recollection and I -- and I</p> <p>14 believe his order is the next one on the docket</p> <p>15 after my order, and I think that his order was to</p> <p>16 advise the Court on viability, maybe municipal</p> <p>17 finance or something like that. It was not -- it</p> <p>18 was not like my order.</p> <p>19 Q. Was it -- my recollection is that</p> <p>20 it -- that one of the things that was on it was</p> <p>21 post-confirmation governance.</p> <p>22 A. Maybe.</p> <p>23 Q. Does that ring a bell?</p> <p>24 A. Maybe. It could be.</p> <p>25 Q. Now, post-confirmation governance is</p>

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<p style="text-align: right;">Page 341</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 definitely something that factors in to</p> <p>3 feasibility, right?</p> <p>4 A. Yes.</p> <p>5 Q. That was an important part of your</p> <p>6 opinion?</p> <p>7 A. Yes.</p> <p>8 Q. Did you ever discuss</p> <p>9 post-confirmation governance with Mr. Ravitch?</p> <p>10 A. Yes.</p> <p>11 Q. Are you able to separate in your mind</p> <p>12 your meetings with Mr. Ravitch?</p> <p>13 A. Not really.</p> <p>14 Q. So if -- I'm going to -- I can go</p> <p>15 through them one by one. People tend to remember,</p> <p>16 you know, substance of communications with people</p> <p>17 as opposed to like the dates and so on and so</p> <p>18 forth. I am happy to do it either way. If it's</p> <p>19 helpful to go, oh, yeah, May 30th, I remember, we</p> <p>20 can do it that way.</p> <p>21 A. I can, you know, for example, if we</p> <p>22 could determine when the original house bills</p> <p>23 related to the Grand Bargain were drafted and</p> <p>24 those came out with the post-oversight --</p> <p>25 post-confirmation oversight provisions in them, it</p>	<p style="text-align: right;">Page 343</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. STEWART: What day?</p> <p>3 THE WITNESS: What day are we talking</p> <p>4 about?</p> <p>5 BY MR. HACKNEY:</p> <p>6 Q. Oh, sure. I'm happy to look at the</p> <p>7 date. It's May 19, 2014.</p> <p>8 A. Pension. Okay?</p> <p>9 Q. Yes. Do you remember what you talked</p> <p>10 about on that subject?</p> <p>11 A. Not specifically.</p> <p>12 Q. Generally?</p> <p>13 A. Generally, we talked -- I talked to</p> <p>14 Mr. Ravitch a lot about pensions.</p> <p>15 Q. Okay. What have you talked about?</p> <p>16 A. We've talked about the rate of</p> <p>17 return, the investment rate of return. We've</p> <p>18 talked about the appropriateness of using the rate</p> <p>19 of return as a discount for future liability.</p> <p>20 Q. Anything else?</p> <p>21 A. That's probably it.</p> <p>22 Q. Now, did he convey to you what his</p> <p>23 thoughts were on the subject?</p> <p>24 A. Yes.</p> <p>25 Q. And what did he tell you?</p>
<p style="text-align: right;">Page 342</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 would have been around that time when I would have</p> <p>3 talked to Mr. Ravitch about post-confirmation</p> <p>4 oversight.</p> <p>5 Q. Okay. Like, let me -- let me do it</p> <p>6 this way.</p> <p>7 My recollection -- my perusal here,</p> <p>8 to me it looks like you had -- it looks like you</p> <p>9 had six or seven communications with Mr. Ravitch</p> <p>10 either on the phone or in person. Does that sound</p> <p>11 about correct?</p> <p>12 A. If that's what they add up to.</p> <p>13 Q. I'm going to go back to -- and I --</p> <p>14 at no time did you tell Mr. Ravitch that he could</p> <p>15 not disclose what you were telling him, correct?</p> <p>16 You never limited who he could talk to, right?</p> <p>17 A. I -- I don't think any discussion</p> <p>18 like that ever came up.</p> <p>19 Q. Okay. Now, there are some notes here</p> <p>20 about what you talked about him with. I'm going</p> <p>21 to use those as kind of a prime to see if it helps</p> <p>22 you remember like what you were talking about.</p> <p>23 One of the next notes on Mr. Ravitch</p> <p>24 relates to pensions.</p> <p>25 A. Can you --</p>	<p style="text-align: right;">Page 344</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. KANE: Don't answer that without</p> <p>3 further guidance from the Court.</p> <p>4 THE WITNESS: Okay.</p> <p>5 MR. HACKNEY: Okay. This witness has</p> <p>6 said that she was specifically talking to</p> <p>7 Mr. Ravitch because he was effectively a wise</p> <p>8 person and a resource on the subject of</p> <p>9 things that relate to feasibility. That's</p> <p>10 why she's talking to him.</p> <p>11 And he's telling her things about</p> <p>12 what he thinks and he's an acknowledged</p> <p>13 person that applied for the same position.</p> <p>14 And we're talking about pensions and what</p> <p>15 this person thought on the subject of</p> <p>16 pensions and pensions are in her report.</p> <p>17 MR. KANE: Okay.</p> <p>18 MR. HACKNEY: I mean, what is the</p> <p>19 possible basis to instruct someone not to</p> <p>20 answer the question?</p> <p>21 MR. KANE: Well, two bases. You're</p> <p>22 trying to discover opinions, as I understand</p> <p>23 it, and I'm not telling you you can't ask</p> <p>24 about this. I just think you mentioned a</p> <p>25 number -- a number of times getting</p>

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<p style="text-align: right;">Page 345</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 instruction from the Court. I think that</p> <p>3 might be a good idea in this case given</p> <p>4 Mr. Ravitch's role and his, as I understand</p> <p>5 it, and perhaps you all understand it better</p> <p>6 than me, role as a nontestifying expert for</p> <p>7 the Court.</p> <p>8 Further, you keep saying that you are</p> <p>9 entitled to discover all communications with</p> <p>10 an expert. That's not accurate. 26(b)(4)</p> <p>11 specifically limits your ability to discover</p> <p>12 communications with even a testifying expert.</p> <p>13 MR. HACKNEY: Well, actually, that --</p> <p>14 that's interesting. I'll put it to you.</p> <p>15 Are you asserting the privilege over</p> <p>16 communications between Ms. -- Ms. Kopacz and</p> <p>17 Mr. Ravitch?</p> <p>18 MR. KANE: What I'm asserting, Steve,</p> <p>19 is that there is an order specifically</p> <p>20 limiting the subjects that Ms. Kopacz is</p> <p>21 supposed to testify about and that you're</p> <p>22 asking her to discover opinions about</p> <p>23 something you've acknowledge to do me when I</p> <p>24 asked is a nontestifying expert when I --</p> <p>25 MR. HACKNEY: I cannot discover his</p>	<p style="text-align: right;">Page 347</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. HACKNEY: Let's get the Judge on</p> <p>3 the phone. That's what I say.</p> <p>4 MR. STEWART: Let's get the Judge</p> <p>5 whenever you can get him and circle back to</p> <p>6 this later.</p> <p>7 MR. HACKNEY: Well, I want to do it</p> <p>8 now.</p> <p>9 MR. PEREZ: Let's stop it and do it</p> <p>10 now.</p> <p>11 MR. HACKNEY: Let's get him on the</p> <p>12 phone.</p> <p>13 THE VIDEOGRAPHER: Off the record.</p> <p>14 MR. PEREZ: Keep it on.</p> <p>15 (Whereupon, a brief discussion was</p> <p>16 held off record.)</p> <p>17 MR. HACKNEY: Does anyone have the</p> <p>18 chamber's number or should I look it up?</p> <p>19 MR. LERNER: I have it.</p> <p>20 MR. HACKNEY: Can you guys dial it</p> <p>21 over there? I can't reach it.</p> <p>22 MR. KANE: We can't dial it from that</p> <p>23 phone. We're keeping the --</p> <p>24 MR. STEWART: I'm asking --</p> <p>25 MR. LERNER: 234-0020.</p>
<p style="text-align: right;">Page 346</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 opinions. I can't discover his opinions</p> <p>3 except by deposing him. I can discover what</p> <p>4 he told her. That's all I'm asking.</p> <p>5 MR. KANE: Why?</p> <p>6 MR. HACKNEY: I don't care what he</p> <p>7 actually thought. She doesn't know what he</p> <p>8 actually thought. She only knows what he</p> <p>9 told her. That's all I'm asking about on a</p> <p>10 subject that relates to her opinion.</p> <p>11 MR. KANE: Well --</p> <p>12 MR. HACKNEY: I just --</p> <p>13 MR. KANE: If --</p> <p>14 MR. STEWART: I don't want to slow</p> <p>15 anyone down. It's been's long day.</p> <p>16 I actually do concur. This is</p> <p>17 probably a point that would not be a bad idea</p> <p>18 to get the judge's guidance.</p> <p>19 MR. HACKNEY: Let's do it then.</p> <p>20 Let's get the Judge on the phone. I'm</p> <p>21 surprised at the level of obstruction that</p> <p>22 I'm achieving. I mean, we've had a lot of</p> <p>23 colloquies. Now we're getting the Judge on</p> <p>24 the phone.</p> <p>25 MR. STEWART: Steve --</p>	<p style="text-align: right;">Page 348</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. HACKNEY: Here, let's do this.</p> <p>3 Let's do this. Since we're coming -- let's</p> <p>4 do -- let's do non-Ravitch questions.</p> <p>5 MR. STEWART: Right.</p> <p>6 MR. HACKNEY: -- and see what we can</p> <p>7 get done and then let's engage the Court when</p> <p>8 we can and pick it up again.</p> <p>9 MS. QUADROZZI: Can I make a</p> <p>10 suggestion? Maybe you can call the Court's</p> <p>11 chamber, let him know we have an issue since</p> <p>12 it's 5:00.</p> <p>13 MR. HACKNEY: Yeah. It's</p> <p>14 4:00 Eastern -- yeah, you're right. It's</p> <p>15 5:00. So I just want to --</p> <p>16 MS. QUADROZZI: I mean, you can keep</p> <p>17 on asking questions, but just say is there a</p> <p>18 time that we can call in and then we're not</p> <p>19 waiting around for it.</p> <p>20 MR. HACKNEY: Yeah. I mean it -- I</p> <p>21 don't mean to impose, but if -- if there's</p> <p>22 somebody who doesn't mind stepping out in the</p> <p>23 lobby and calling, I'd be obliged and maybe</p> <p>24 we can keep going.</p> <p>25 MS. QUADROZZI: I'm happy to call.</p>

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<p style="text-align: right;">Page 349</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. HACKNEY: Okay. So --</p> <p>3 MS. QUADROZZI: I'm sorry. Can</p> <p>4 somebody repeat the number for me?</p> <p>5 MR. LERNER: It's 313-234-0020.</p> <p>6 MS. QUADROZZI: 0020. Okay.</p> <p>7 BY MR. HACKNEY:</p> <p>8 Q. Okay. So, ma'am, we're going to go</p> <p>9 around the Ravitch questions --</p> <p>10 A. Okay.</p> <p>11 Q. -- because of the -- the extreme</p> <p>12 controversy around those -- those questions.</p> <p>13 So go back to the chart and take a</p> <p>14 look at May 7th, 2014, where you speak to Gene</p> <p>15 Gargaro, Graham Beal, Annemarie -- Annemarie</p> <p>16 Erickson of the DIA. Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And was this the meeting that you had</p> <p>19 attempted to schedule a couple weeks earlier with</p> <p>20 Mr. O'Reilly and Mr. Levin?</p> <p>21 A. Yes.</p> <p>22 Q. And this -- the subject matter is</p> <p>23 "Art Disposition and Grand Bargain Feasibility."</p> <p>24 Do you see that?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 351</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 20 years.</p> <p>3 Q. Why were you surprised by that?</p> <p>4 A. It was -- I just -- you know, I</p> <p>5 expected -- I don't know why, but I expected that</p> <p>6 at some point I'd go to into the City budget and</p> <p>7 I'd find, you know, hundreds of thousands of</p> <p>8 million dollars going to support the DIA, and the</p> <p>9 City never did that, right? Because it couldn't,</p> <p>10 right? It never had the ability to -- to, you</p> <p>11 know, fund, if you will, the art and so I thought</p> <p>12 that was -- I thought that was interesting.</p> <p>13 And then we really focused on the</p> <p>14 hundred million that the DIA was committing to the</p> <p>15 Grand Bargain and where that was going to come</p> <p>16 from and why they thought they could raise it. We</p> <p>17 talked a little bit about what they thought about</p> <p>18 the foundation's ability to raise money. We</p> <p>19 talked about the -- the last time they had done a</p> <p>20 capital raise to -- to do the renovation and that</p> <p>21 was -- and that was sum total of that.</p> <p>22 Q. Where was this meeting?</p> <p>23 A. At the DIA.</p> <p>24 Q. What do you remember them telling you</p> <p>25 about the DIA's ability to raise money?</p>
<p style="text-align: right;">Page 350</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So on the subject of the art</p> <p>3 disposition, what do you recall being discussed?</p> <p>4 A. My area of inquiry to the DIA</p> <p>5 executives and Gene, who is the board of trustees,</p> <p>6 was really whether or not the art was salable.</p> <p>7 Q. And why did you want to know that?</p> <p>8 A. Because I knew that there were --</p> <p>9 that it was an asset, if you will, arguably of the</p> <p>10 estate. And that it may or may not factor in in</p> <p>11 some way down the road into the reorganization</p> <p>12 plan.</p> <p>13 Q. Okay. And what did they tell you?</p> <p>14 A. Couple of different things that were</p> <p>15 important. One was the fact that the City really</p> <p>16 had not funded the DIA for more than 20 years.</p> <p>17 And they explained to me the history and how the</p> <p>18 City came to own the Institute of Art and</p> <p>19 explained to me all of the various requests and</p> <p>20 bequeaths of how much of the art came to the DIA</p> <p>21 over time and history and, you know, that sort of</p> <p>22 thing. So I got a good history lesson in how the</p> <p>23 Institute came to be and really I was surprised</p> <p>24 because the City had not -- the City had not</p> <p>25 funded or supported the DIA in at least about</p>	<p style="text-align: right;">Page 352</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. That -- that they believed that</p> <p>3 Mr. Gargaro believed and Mr. Beal believed that</p> <p>4 the current benefactors of the DIA would be</p> <p>5 responsive and that they would be able to raise</p> <p>6 the \$100 million that was proposed.</p> <p>7 Q. Anything else you can recall in that?</p> <p>8 A. No.</p> <p>9 Q. And what did they say about the</p> <p>10 foundation's ability to make their commitments?</p> <p>11 A. That they had -- again, they referred</p> <p>12 me to Rip Rapson at Kresge and that really they --</p> <p>13 there was some small overlap between some of the</p> <p>14 foundation money and the DIA money in the sense</p> <p>15 that there were individuals who were supportive of</p> <p>16 the DIA that might be on the foundation side as</p> <p>17 well.</p> <p>18 Q. Anything else that you can recall on</p> <p>19 that subject?</p> <p>20 A. I can't.</p> <p>21 Q. Do you remember how long this meeting</p> <p>22 lasted?</p> <p>23 A. I don't. It would probably be in my</p> <p>24 time records.</p> <p>25 Q. Now, the same day, on May 7th, you --</p>

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<p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 you have a dinner party; is that right?</p> <p>3 A. I was a guest at a dinner party, yes.</p> <p>4 Q. Yeah. You attend a dinner party.</p> <p>5 You didn't throw it.</p> <p>6 A. Yes.</p> <p>7 Q. Okay. Who did throw it?</p> <p>8 A. Bob and Susie Bluestein.</p> <p>9 Q. And who are they?</p> <p>10 A. They are mutual friends of</p> <p>11 Judge Rosen and Mr. Ravitch and Mr. Rapson and</p> <p>12 Mr. Lewand and Mr. Draker.</p> <p>13 MS. QUADROZZI: When they transfer</p> <p>14 the Judge, he 's going to be on this phone.</p> <p>15 MR. HACKNEY: Okay. So we're going</p> <p>16 to do it here? Let's do it on the record.</p> <p>17 MS. QUADROZZI: Thank you.</p> <p>18 (Whereupon, a brief discussion was</p> <p>19 held off record.)</p> <p>20 MS. QUADROZZI: Hello?</p> <p>21 JUDGE RHODES: Hello.</p> <p>22 MR. HACKNEY: Hello, Judge Rhodes.</p> <p>23 Can you --</p> <p>24 JUDGE RHODES: Hi.</p> <p>25 MR. HACKNEY: Can you hear us okay?</p>	<p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Ms. Kopacz's deposition.</p> <p>3 MR. PEREZ: Your Honor, Alfredo Perez</p> <p>4 on behalf of FIGC.</p> <p>5 MS. DEEBY: Shannon Deeby on behalf</p> <p>6 of the retirement systems.</p> <p>7 MR. SCHMITZ: Joe Schmitz on behalf</p> <p>8 of the retirement systems.</p> <p>9 MR. STEWART: Your Honor, Geoffrey</p> <p>10 Stewart, Chris DiPompeo and Alex Blanchard of</p> <p>11 Jones Day on behalf of the City.</p> <p>12 MR. BRILLIANT: Allan Brilliant on</p> <p>13 behalf of Macomb County.</p> <p>14 MR. LERNER: Stephen Lerner also of</p> <p>15 Squire Patton Boggs for Ms. Kopacz.</p> <p>16 MR. ALBERTS: Sam Alberts from</p> <p>17 Dentons on behalf of the official committee</p> <p>18 of retirees.</p> <p>19 MS. SCHAPIRA: Lisa Schapira of</p> <p>20 Chadbourne &amp; Parke for Assured Guaranty</p> <p>21 Municipal Corp.</p> <p>22 MS. HITCHINS: Kathleen Hitchins with</p> <p>23 Sidley Austin on behalf of National Public</p> <p>24 Finance Guaranty Corporation. I also add,</p> <p>25 Your Honor, that this is being recorded by</p>
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<p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 JUDGE RHODES: This is Judge Rhodes.</p> <p>3 MR. HACKNEY: Judge Rhodes, can you</p> <p>4 hear me okay?</p> <p>5 JUDGE RHODES: Yes. Who is on the</p> <p>6 line, please?</p> <p>7 MR. HACKNEY: Judge Rhodes, this is</p> <p>8 Steve Hackney of Kirkland &amp; Ellis on behalf</p> <p>9 of Syncora, and there are a bunch of people</p> <p>10 in this room.</p> <p>11 Would you like us to all identify</p> <p>12 ourselves? It's also reflected in ths</p> <p>13 deposition transcript --</p> <p>14 JUDGE RHODES: Yes.</p> <p>15 MR. HACKNEY: -- for what it's worth.</p> <p>16 JUDGE RHODES: Okay.</p> <p>17 MR. HACKNEY: I expect that only me</p> <p>18 and -- well, it's up to you, Judge. Do you</p> <p>19 want everyone to say who is here?</p> <p>20 JUDGE RHODES: I do.</p> <p>21 MR. HACKNEY: Okay. I'm sorry. Go</p> <p>22 ahead.</p> <p>23 MR. LERNER: Pass the phone around.</p> <p>24 MR. KANE: So, Your Honor, this is</p> <p>25 Scott Kane from Squire who is defending</p>	<p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the -- the court reporter right now.</p> <p>3 MR. WAGNER: Jonathan Wagner on</p> <p>4 behalf of the COPs.</p> <p>5 MS. QUADROZZI: Jaye Quadrozzi, Young</p> <p>6 &amp; Associates, on behalf of Oakland County.</p> <p>7 MS. DEEBY: Your Honor, Jennifer</p> <p>8 Green is on the phone for the retirement</p> <p>9 systems as well.</p> <p>10 MR. HACKNEY: Did we get everybody?</p> <p>11 MS. HUBBARD: Heather Hubbard from</p> <p>12 Waller Lansden on behalf of U.S. Bank.</p> <p>13 MR. HACKNEY: That was Heather</p> <p>14 Hubbard of Waller Lansden on behalf of U.S.</p> <p>15 Bank, Your Honor.</p> <p>16 Your Honor, if --</p> <p>17 MS. KOGAN: Olga Kogan on behalf of</p> <p>18 Merrill Lynch.</p> <p>19 MR. HACKNEY: Your Honor, if I could</p> <p>20 set it up and I'll turn it over to</p> <p>21 Ms. Kopacz's counsel.</p> <p>22 We're at the end of day one of</p> <p>23 Ms. Kopacz's deposition and I am taking</p> <p>24 Ms. Kopacz through Exhibit 3 to her report,</p> <p>25 which includes all of her communications with</p>

<p style="text-align: right;">Page 357</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 anyone, that you'll recall she agreed to keep</p> <p>3 as a log of all of her communications, and</p> <p>4 I'm basically trying to exhaust her memory</p> <p>5 about what she discussed in all of these</p> <p>6 conversations. I'm asking her what she said</p> <p>7 to the person and what the person said to</p> <p>8 her.</p> <p>9 The controversy has erupted around</p> <p>10 her communications with Richard Ravitch who</p> <p>11 is the Court-appointed expert.</p> <p>12 Ms. Kopacz met with Mr. Ravitch on a</p> <p>13 number of occasions or spoke to him on the</p> <p>14 phone and when I've sought to examine her on</p> <p>15 what she said to him and what he said to her,</p> <p>16 there has been questions interposed by her</p> <p>17 counsel as to whether that's appropriate, and</p> <p>18 I really appreciate you getting on the phone</p> <p>19 with us because our hope is that we can get</p> <p>20 it knocked out and ruled on, one way or the</p> <p>21 other, and I'll turn it over to counsel to</p> <p>22 refine it any.</p> <p>23 MR. KANE: Yes, Your Honor. So this</p> <p>24 is Scott Kane again. Here's how I would</p> <p>25 frame the issue and I did for Mr. Hackney.</p>	<p style="text-align: right;">Page 359</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 questions regarding her communications.</p> <p>3 MR. KANE: He said Ms. Kopacz should</p> <p>4 answer any and all questions regarding her</p> <p>5 communications with Mr. Ravitch.</p> <p>6 JUDGE RHODES: Yes, sir.</p> <p>7 MR. HACKNEY: Good enough.</p> <p>8 MR. KANE: Thank you for your</p> <p>9 guidance, Your Honor.</p> <p>10 MR. HACKNEY: Sorry to trouble you,</p> <p>11 Your Honor.</p> <p>12 MR. LERNER: Thank you, Judge.</p> <p>13 JUDGE RHODES: You're welcome.</p> <p>14 MR. HACKNEY: Thank you.</p> <p>15 MR. LERNER: Bye-bye. Thank you.</p> <p>16 JUDGE RHODES: Okay. Is that it?</p> <p>17 MR. LERNER: Yeah. That's it. We're</p> <p>18 going to hang up. We appreciate your time,</p> <p>19 Your Honor.</p> <p>20 MR. HACKNEY: Okay. That was</p> <p>21 exciting. So, we're going to finish this</p> <p>22 dinner party thing and then we'll go back to</p> <p>23 the --</p> <p>24 MR. LERNER: As long as we can have</p> <p>25 cocktails.</p>
<p style="text-align: right;">Page 358</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 I guess I have the burden and the</p> <p>3 luxury of being ignorant about many other</p> <p>4 things that are going on in this case.</p> <p>5 I do know that your order appointing</p> <p>6 Ms. Kopacz indicated that her testimony was</p> <p>7 to be limited to her opinion on feasibility</p> <p>8 and the reasonableness of projections, and I</p> <p>9 understand, generally, without knowing the</p> <p>10 details, that Mr. Ravitch is a</p> <p>11 Court-appointed nontestifying expert.</p> <p>12 So, my concern about letting</p> <p>13 Ms. Kopacz testify about views held by a</p> <p>14 nontestifying expert without seeking guidance</p> <p>15 from the Court first is, I don't want her</p> <p>16 inadvertently to waive any protection for</p> <p>17 Mr. Ravitch's opinions or otherwise stray</p> <p>18 beyond what is supposed to be the permissible</p> <p>19 scope of this deposition.</p> <p>20 MR. HACKNEY: And if I could just</p> <p>21 add, and I'll let --</p> <p>22 JUDGE RHODES: Let me just -- let me</p> <p>23 just stop you all and -- and tell you that I</p> <p>24 think that Ms. Kopacz should have -- answer</p> <p>25 any -- excuse me -- any and all of your</p>	<p style="text-align: right;">Page 360</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. PEREZ: What was served at the</p> <p>3 dinner party?</p> <p>4 (Whereupon, a brief discussion was</p> <p>5 held off record.)</p> <p>6 MR. HACKNEY: So, sorry. We got</p> <p>7 interrupted -- by the way, thanks a lot,</p> <p>8 Jaye, I appreciate it. She went away.</p> <p>9 MS. QUADROZZI: Okay.</p> <p>10 MR. HACKNEY: That was helpful.</p> <p>11 Thank you.</p> <p>12 BY MR. HACKNEY:</p> <p>13 Q. So, I think you were saying a lot of</p> <p>14 these folks knew each other. There were common</p> <p>15 bonds between them?</p> <p>16 A. Yes.</p> <p>17 Q. So you had this dinner party and it</p> <p>18 was at the Bluesteins' house?</p> <p>19 A. At their house.</p> <p>20 Q. And then the attendees were all</p> <p>21 listed here in your entry except their spouses</p> <p>22 that also attended for certain of the people that</p> <p>23 came, right?</p> <p>24 A. Yes.</p> <p>25 Q. And I take it that everyone that's</p>

1 - MARTI KOPACZ - VOLUME 1-  
2 not identified by name on here is a spouse. You  
3 didn't leave any sort of principals off, so to  
4 speak.

5 A. No, I did not.

6 Q. Okay. And what did you talk about?  
7 How long did the dinner party go and what -- what  
8 did you all talk about?

9 A. I would say the dinner party was a  
10 couple of hours. It was a -- it was really an  
11 occasion for Mr. Ravitch and I to meet all of  
12 these people because other than Judge Rosen and  
13 Mr. Driker and I had just met Mr. Gargaro that  
14 day, the rest of those people I had never met and  
15 I don't think that, other than Judge Rosen and the  
16 Bluesteins, I don't think Mr. Ravitch knew any of  
17 these people. So it was just a -- it was a  
18 welcoming dinner, if you will.

19 Q. So, let me ask you a question.

20 Were you concerned at all as an  
21 independent expert about the informality, so to  
22 speak, of kind of breaking bread with, for  
23 example, Kevyn Orr?

24 A. Not at all.

25 Q. No? Why not?

1 - MARTI KOPACZ - VOLUME 1-

2 A. Why would I be? I mean it's not  
3 going to impact my view of the plan whether or not  
4 I've had a meal with these people.

5 Q. Did you have -- did you take meals  
6 with any -- anybody else other than this? This is  
7 I think one of the only dinner parties I saw.

8 A. There were -- there were a couple of  
9 different dinner parties. I've had -- I've had  
10 breakfast with people. I've had -- I don't  
11 generally do lunch.

12 Q. Who was the other dinner party with?

13 A. There was another -- there was  
14 another -- there was another dinner party  
15 somewhere. It may be listed as a meeting, but it  
16 was after that -- it was -- it was June 11th.

17 Q. The one where it's with Judge Rosen?

18 A. Judge Rosen and that whole group of  
19 people. Steven was on the phone. He wasn't  
20 there. But basically this group left and went to  
21 dinner.

22 Q. On June 11th?

23 A. On June 11th.

24 Q. Was that a meeting that started in  
25 Judge Rosen's chambers?

1 - MARTI KOPACZ - VOLUME 1-

2 A. Yes, it was.

3 Q. And then after it was revolved,  
4 everybody went out to dinner?

5 A. Everyone went to the Bluesteins'  
6 country club. They hosted again.

7 Q. Okay. Do you remember how many  
8 people were at that dinner?

9 A. Dozen. Maybe.

10 Q. So, what do you remember Judge Rosen  
11 talking about at the May 7th dinner party back on  
12 in 2014? He's a fairly voluble -- I won't  
13 characterize him, but he's a dynamic person. I --  
14 I haven't met him in person, but I've seen his  
15 press conferences --

16 A. I'm trying to remember.

17 Q. -- he's not somebody who I -- I view  
18 as a shrinking violet, and I was wondering whether  
19 he had conveyed to you his views?

20 A. I'm not -- I'm trying to remember how  
21 the seating was because there were -- like the  
22 May -- at the May 7th, there were two large  
23 tables, one in their dining room and one on  
24 their -- on their patio or screened-in porch, and  
25 I remember the mayor was on my right. Mr. Ravitch

1 - MARTI KOPACZ - VOLUME 1-

2 was on my left and Kevyn was across from me and  
3 Tom Lewand was over there. And to be honest with  
4 you, I can't remember who was at the rest of my  
5 table versus who was at the other table.

6 Q. But you know -- was Judge Rosen at  
7 the other table?

8 A. I think he may have been at the other  
9 table. I don't know.

10 Q. And so were people basically talking  
11 about the case and how it was going and the City  
12 and --

13 A. Not really. The -- the conversation  
14 was a lot more social and informal. I mean, I  
15 learned about, you know, where Kevyn Orr went to  
16 college and, you know, what Mike Duggan had done  
17 with his life and how Tom Lewand got to the City.  
18 I mean, that was the discussion, right?

19 Q. Okay. It was sort of getting to know  
20 the people more than it was talking about the  
21 substance of your assignment or the case? More  
22 polite sort of?

23 A. It was -- Yes. Yes. You know, and I  
24 think, you know, Dick was -- Dick Ravitch was --  
25 was -- we were having all kinds lots -- of

1 - MARTI KOPACZ - VOLUME 1-  
2 storytelling going on, my recollection.

3 Q. Now, let's go back to the  
4 communications with Mr. Ravitch and kind of run  
5 through those if we could.

6 A. Okay.

7 Q. So the -- the next -- the next one  
8 that I saw after the dinner party we were just  
9 talking about on May 7th --

10 A. Uh-huh.

11 Q. -- was on May 15th. Do you see that?

12 A. Yes.

13 Q. And what was -- what -- yeah, I'm  
14 actually one before, sorry. The engagement  
15 update, do you see that?

16 A. Yes.

17 Q. Tell me what you can recall occurring  
18 during that call.

19 A. I don't recall that call at all.

20 Q. Okay. I guess at some point maybe  
21 you wrote down "engagement update" like did you  
22 keep to log contemporaneously or do you know if  
23 you went back and --

24 A. No. For the most part I kept this  
25 contemporaneously within a day or so, otherwise I

1 - MARTI KOPACZ - VOLUME 1-  
2 don't think I would have been able to do it.

3 Q. Do you know if engagement update  
4 means that you were updating him on your  
5 engagement or he was updating you on his?

6 A. No. Generally -- generally, the --  
7 the communication that I had with Mr. Ravitch was  
8 telling him what we were doing.

9 Q. Okay.

10 A. Okay?

11 Q. And so, I just want to understand,  
12 when you're telling him what you're doing, why  
13 are -- I think I asked you this before.

14 Is it -- why are you telling him what  
15 you're doing? Is it so that he can give you  
16 feedback? Which is a fine reason to speak to  
17 someone with his experience. I just want to  
18 understand your state of mind --

19 A. Yes -- I mean, yes and no. In the  
20 sense of if there were -- you know, I -- I can  
21 tell you that, you know, there are points where  
22 Mr. Ravitch and I agree. There are points where  
23 Mr. Ravitch and I don't agree. And so in those,  
24 and we -- and that developed over time and over  
25 discussions during this case, so --

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Were you telling him what you were  
3 working on because you mainly wanted to make sure  
4 he was just generally kept abreast of what you  
5 were doing? Were you like thinking I should  
6 update Dick on what I'm up to?

7 A. It's really just, I -- it's  
8 professional courtesy. It's politeness. He,  
9 again, you know, is -- is trying to do whatever it  
10 is that he's doing for the Judge and he doesn't  
11 have a staff, right? So, he's not going to be  
12 looking into things as deeply as we are or that  
13 sort of thing. So it was really just probably  
14 whatever I was thinking about at the moment.

15 Q. And you don't remember him updating  
16 you on what he was doing?

17 A. I don't -- I don't have knowledge of  
18 what he was doing necessarily, no. I just -- I  
19 don't.

20 Q. Okay. The next entry for  
21 Judge Ravitch -- Mr. Ravitch is May 19th, which is  
22 four days later, and it just says "pensions."

23 A. Yes.

24 Q. Do you -- so we had gotten started on  
25 that one and --

1 - MARTI KOPACZ - VOLUME 1-

2 A. Yes.

3 Q. -- you said that you talked about the  
4 discount rate for assets and liabilities and then  
5 I said --

6 A. Yes.

7 Q. -- what did he -- he tell you about  
8 what he thought? What did he tell you and what do  
9 you remember about that?

10 A. Well, I think, he's been --  
11 Mr. Ravitch has -- has -- as part of the Bolger  
12 Commission and those sorts of things, he's been  
13 very outspoken on public pensions and so I --  
14 we -- my team and I talked to Mr. Ravitch about  
15 his views and I can, for the most part, right, in  
16 addition to other people that I talked to about  
17 pensions, generally, Mr. Ravitch and I are in  
18 agreement on what I've written about in this  
19 report as it relates to pensions.

20 Q. And in this conversation on pensions  
21 was he conveying to you some of his thoughts on  
22 pensions in terms of how they're reported or --

23 A. Yes.

24 Q. -- you know --

25 A. Yes. I mean --

<p style="text-align: right;">Page 369</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. -- funding levels, et cetera?</p> <p>3 A. -- Mr. Ravitch and I both</p> <p>4 fundamentally agree that, you know, at some point</p> <p>5 you should fund a pension plan fully.</p> <p>6 Q. So let me tell you, ma'am, I'd hoped</p> <p>7 to get through, but I, for a variety of reasons,</p> <p>8 I'm not going to quite get there and I'm wondering</p> <p>9 given the length of the day whether it's more fair</p> <p>10 to the witness to call it a day. I don't think I</p> <p>11 have a ton of time, but sometimes you can keep</p> <p>12 stretching people and stretching people and all of</p> <p>13 a sudden you go 45 minutes past when you think.</p> <p>14 And I thought if it's okay with everybody, I</p> <p>15 didn't know if we could break for the day.</p> <p>16 MR. LERNER: How much -- how much</p> <p>17 longer do you think you have?</p> <p>18 MR. HACKNEY: The problem is I'm not</p> <p>19 sure. It -- it -- there's part of me that</p> <p>20 just wants to go for it and there's part of</p> <p>21 me that doesn't want to be sitting here an</p> <p>22 hour later and go, I didn't realize this was</p> <p>23 going to be that long.</p> <p>24 MR. LERNER: Those who are content to</p> <p>25 ask other questions, maybe just give an idea</p>	<p style="text-align: right;">Page 371</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. HACKNEY: Okay. Let's see if we</p> <p>3 can get done then.</p> <p>4 THE WITNESS: With all due respect</p> <p>5 though, I would like not to get into the</p> <p>6 detailed analysis of pensions until tomorrow.</p> <p>7 MR. HACKNEY: That's fine, just</p> <p>8 because --</p> <p>9 THE WITNESS: I'm happy to talk about</p> <p>10 conversations and all that sort of thing, but</p> <p>11 I don't want to do numbers right now.</p> <p>12 MR. HACKNEY: Why don't we keep our</p> <p>13 march going here and -- and then there may be</p> <p>14 some tie-up questions and then we can --</p> <p>15 THE WITNESS: Okay.</p> <p>16 MR. HACKNEY: -- call it a day at</p> <p>17 6:00. So that's a great idea.</p> <p>18 BY MR. HACKNEY:</p> <p>19 Q. So continuing on with respect to</p> <p>20 Mr. Ravitch, do you see that then now on May 28th</p> <p>21 is the next one that I see?</p> <p>22 A. May 28, yup.</p> <p>23 Q. Now, there it says, "report</p> <p>24 development discussion."</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 370</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 of how much time you think you'll take</p> <p>3 knowing that it's just a guess.</p> <p>4 MR. WAGNER: I would say probably</p> <p>5 45 minutes an hour.</p> <p>6 MR. BRILLIANT: You know, because Guy</p> <p>7 Neal is going to go first.</p> <p>8 MS. QUADROZZI: I think that should</p> <p>9 be one or two hours.</p> <p>10 MR. BRILLIANT: And then I -- I may</p> <p>11 have some, you know, follow-up questions --</p> <p>12 just --maybe a half hour.</p> <p>13 Jaye, are you asking questions?</p> <p>14 MS. QUADROZZI: I think by the time</p> <p>15 Guy goes, he's got 45 and he's got a half</p> <p>16 hour, I'll--</p> <p>17 MR. HACKNEY: Make no mistake, I'll</p> <p>18 push on. I just want to give fair warning</p> <p>19 that I thought that I'm not just five minutes</p> <p>20 away and so I thought it is 5:30.</p> <p>21 MR. KANE: I appreciate the courtesy.</p> <p>22 She said she's okay.</p> <p>23 THE WITNESS: I'm okay.</p> <p>24 MR. HACKNEY: You're good to go?</p> <p>25 THE WITNESS: I'm good to go.</p>	<p style="text-align: right;">Page 372</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yeah.</p> <p>3 Q. Do you remember what that was about?</p> <p>4 A. No.</p> <p>5 Q. This is -- this was a meeting?</p> <p>6 A. Yes.</p> <p>7 Q. And I note that the one before on</p> <p>8 pensions, that was a meeting too?</p> <p>9 A. That was a meeting in Detroit.</p> <p>10 Q. Okay. So the pensions one was a</p> <p>11 meeting in Detroit?</p> <p>12 A. Right.</p> <p>13 Q. Do you remember where it was?</p> <p>14 A. I -- I'm pretty sure it would have</p> <p>15 been in the CAYMC in our space.</p> <p>16 Q. What's the CAYMC stand for again?</p> <p>17 A. The Coleman A. Young Municipal</p> <p>18 Center.</p> <p>19 Q. Okay. So --</p> <p>20 A. C-A-Y-M-C.</p> <p>21 Q. -- they just put that "A" in the</p> <p>22 middle of "MAC," so they don't say K-muck. Okay.</p> <p>23 A. This was --</p> <p>24 Q. You're getting your lingo -- you're</p> <p>25 Detroit lingo down.</p>

93 (Pages 369 to 372)

1 - MARTI KOPACZ - VOLUME 1-  
 2 A. Yeah. This was in New York.  
 3 Q. Okay.  
 4 A. And it was the evening before the  
 5 financial advisors' meeting.  
 6 Q. Okay.  
 7 A. The next big meeting on the 29th.  
 8 Q. And that's where you met with a bunch  
 9 of creditor FAs and lawyers?  
 10 A. Yes. Yes.  
 11 Q. Okay. So does that help you remember  
 12 it better?  
 13 A. I -- I don't remember -- I remember  
 14 the meeting. Okay?  
 15 Q. Like where did it take place?  
 16 Sometimes these they help spur the substance.  
 17 A. It -- we did it over dinner at some  
 18 club in New York. Don't remember what it's  
 19 called.  
 20 Q. Okay.  
 21 A. Mr. Ravitch arranged -- Mr. Ravitch  
 22 arranged it and --  
 23 Q. Was it a like how are you coming  
 24 meeting? It says report development, you're --  
 25 A. It was -- we were -- at that point in

1 - MARTI KOPACZ - VOLUME 1-  
 2 time we had, we were starting to -- we had gotten  
 3 the working models, right? And so we were pretty  
 4 deep in the analysis of the projections, and I'm  
 5 sure that at this meeting we talked about pension.  
 6 We talked about what he was interested in, in the  
 7 post-confirmation. I probably shared with him  
 8 what I would be interested in in that.  
 9 Q. To your knowledge, was he -- when you  
 10 talk about post-confirmation, you're talking about  
 11 what the Grand Bargain would provide with respect  
 12 to legislative oversight of the City?  
 13 A. Yes.  
 14 Q. Was he -- did he tell you that he was  
 15 involved in efforts to -- in efforts around that  
 16 legislation?  
 17 A. He was -- I know that at some point  
 18 in time he was in Lansing to meet with  
 19 legislators.  
 20 THE VIDEOGRAPHER: The time now is  
 21 5:40 p.m. We're back on the record.  
 22 BY MR. HACKNEY:  
 23 Q. Okay. I don't remember where we  
 24 burned out, but --  
 25 A. We were talking about dinner with

1 - MARTI KOPACZ - VOLUME 1-  
 2 Mr. Ravitch on the 28th.  
 3 Q. But you couldn't remember more than  
 4 report development.  
 5 A. I don't.  
 6 Q. And we also talked about whether --  
 7 you told me he told you that he went -- you knew  
 8 that he was in Lansing?  
 9 A. I knew at some point in time he was  
 10 in Lansing.  
 11 Q. Did he tell that you?  
 12 A. He did.  
 13 Q. And he was telling you, here's what  
 14 I'm up to lately in connection with the Grand  
 15 Bargain or words to that effect?  
 16 A. It was in the context of scheduling.  
 17 Q. I see.  
 18 A. Okay. So in terms of when he was  
 19 coming to Detroit and --  
 20 Q. I see.  
 21 A. Yeah.  
 22 Q. So he said, Well, I'm going to  
 23 Lansing for X and that could be a good time to  
 24 meet in Detroit?  
 25 A. To meet -- yeah.

1 - MARTI KOPACZ - VOLUME 1-  
 2 Q. I mean, at some point I guess what  
 3 I'm interested -- maybe I've asked you this, Ms.  
 4 Kopacz, if I did, I apologize, sometimes you ask  
 5 it a different way.  
 6 But we talked about the first time  
 7 you talked to him, he said he didn't know what the  
 8 Judge wanted him to do. But at some point did he  
 9 convey to you that now he understood what he was  
 10 doing and tell you this is what I'm up to.  
 11 Like did you have the type of back  
 12 and forth where you say, here's what I'm finding,  
 13 this is what I think, here's where I'm at with my  
 14 work, and he said, this is what I'm up to, this is  
 15 what I'm up to, this is what I'm thinking about?  
 16 A. No. My communication and interaction  
 17 with him was virtually exclusively about what we  
 18 were doing and me asking him for input, thoughts,  
 19 sharing with him, what we were thinking, talked to  
 20 him as, again, just as we were developing the  
 21 standard for feasibility, those kinds of things.  
 22 Q. So --  
 23 A. But I -- he has never shared with  
 24 me --  
 25 Q. What he's doing?

- MARTI KOPACZ - VOLUME 1-

A. What he thinks his assignment is.

MR. GLEASON: You need to fix your microphone.

THE WITNESS: Thank you.

Q. So we've gone through a bunch of communications with him. Was there -- was there ever a meeting or a call where he drove it, he drove the call, he drove the meeting, he said, Marti, I want to meet with you, or Marti I needed to call you?

Or were all the meetings or calls ones where you said, Dick, I need to talk to you?

A. No, if I hadn't talked to Dick in a week or so, I would usually get a call from Rita, his assistant, who would say I have Mr. Ravitch for you and he'd say, how are you?

Q. And he would check in on how you were doing?

A. Yeah. He would check in.

Q. Okay. He would definitely check in with you to see how you were coming along?

A. Yes.

Q. So some of these meetings or calls were initiated by him and some were initiated by

- MARTI KOPACZ - VOLUME 1-

you?

A. Yes.

Q. Okay. So, June 3rd, 2014, you have one with him where you catch up on case developments. Was that just such a call where he might have called you --

A. And, again, I don't know if he called me or I called him.

Q. Okay. Do you remember what you talked about?

A. I don't.

Q. Okay. Now, take a look on the next page, if you could, at June 11, 2014. This is the -- this is the meeting that then moves into the dinner party that you talked about.

Remember that?

A. Yes.

Q. What was -- what was the subject -- what was the occasion for and the subject of the meeting in Judge Rosen's chambers?

This is kind of like -- this is a big group of people --

A. It is a big group of people.

Q. -- all of a sudden get together.

- MARTI KOPACZ - VOLUME 1-

A. At some time prior to this, okay, my team's relationships with Ernst & Young and Conway got frayed okay? And there were, this was basically all of the parties being called to chambers to be instructed to play nicely in the sand box.

Q. So did Judge Rosen initiate this meeting?

A. Judge Rosen initiated this meeting.

Q. So he called you and said I want to clear the air?

A. Yes, you're not playing we will continue sand box with the other children.

Q. He said that to you?

A. Yes generally that's, that's he didn't, he didn't use those words but it was like we need to have a conversation now. By the time we get to this meeting of which there was already this kind of dinner party plan, that same with Mr. Ravitch --

Q. There was already the plan for the dinner party?

A. This was, actually, that night was to be this group and E & Y and Conway didn't

- MARTI KOPACZ - VOLUME 1-

participate in the dinner. But that was to be the dinner in which I was going to -- and Mr. Ravitch were meeting with Dan Gilbert. All right. He canceled last minute. So we all went anyway.

But, yes, it was -- that was -- that was the way that I got on his calendar was for the Blustein's to throw a dinner party.

Q. So what happened at the meeting that was called because there was -- whatever, tempers were flaring or whatever?

A. Yes. By the time we got to the meeting, we had already worked out our issues and our differences.

Q. And so everyone was kind of like, we're good?

A. We're good. And we talked -- at that point in time we talked a lot about where my thinking was on the feasibility standard.

Q. In this meeting with Judge Rosen?

A. Uh-huh.

Q. What did Judge Rosen say during this meeting?

A. I'm not sure that Judge Rosen said a whole lot. It was mostly a dialogue with Jones



<p style="text-align: right;">Page 381</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Day and me and the advisors about, you know, how</p> <p>3 broad or narrow fea -- my assessment of</p> <p>4 feasibility was and should be.</p> <p>5 Q. Was there a dispute about that?</p> <p>6 A. I think there was, yes.</p> <p>7 Q. And who was the dispute between and</p> <p>8 what were the contours of it?</p> <p>9 A. I think generally the dispute was</p> <p>10 between the City and me in terms of things like</p> <p>11 the time frame. Right. And you know, where --</p> <p>12 where I was coming out on my thinking about</p> <p>13 certain topics.</p> <p>14 Q. Okay. Like what topics -- so let me</p> <p>15 see if I can set it up in a way that is fair and</p> <p>16 accurate.</p> <p>17 Were you in communications with the</p> <p>18 City, communicating to them concerns that you had</p> <p>19 about the plan?</p> <p>20 A. Yes.</p> <p>21 Q. And was the City, in response, saying</p> <p>22 that's not your job to have those types of</p> <p>23 concerns, and so we think you're -- you're</p> <p>24 straying from what you are supposed to do, you're</p> <p>25 just supposed to take this plan and say whether</p>	<p style="text-align: right;">Page 383</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. HACKNEY:</p> <p>3 Q. And you're saying now you know the</p> <p>4 answer to that question --</p> <p>5 A. Now, I know the answer to the</p> <p>6 question because we have the July 2nd projection.</p> <p>7 Q. That answered the question.</p> <p>8 A. That got to the point where the</p> <p>9 deferrals are actually -- have been pushed back</p> <p>10 into the 40-year projections.</p> <p>11 Q. They have been pushed outside the</p> <p>12 ten-year period into --</p> <p>13 A. No, no. They're in the -- they're --</p> <p>14 they're at a more granular level so that you can</p> <p>15 look at how the RRI money is going to be spent.</p> <p>16 Okay?</p> <p>17 So those are the kinds of issues that</p> <p>18 I was having with E &amp; Y and Conway and the City.</p> <p>19 Q. And did those issues get discussed --</p> <p>20 oh, I see.</p> <p>21 So then -- okay. So did the</p> <p>22 conversation kind of morph in this meeting in</p> <p>23 Judge Rosen's chambers to one that was originally</p> <p>24 going to be about are remember getting along</p> <p>25 well --</p>
<p style="text-align: right;">Page 382</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 this plan is or isn't feasible, you're not</p> <p>3 supposed to change this plan, or words to that</p> <p>4 effect. I wasn't there so --</p> <p>5 A. Yeah. I don't think it was that cut</p> <p>6 and dry, if you will. Right.</p> <p>7 Q. Okay. It was a debate about scope,</p> <p>8 though, right?</p> <p>9 A. There was a debate about scope.</p> <p>10 There was also debate about -- I mean, at this</p> <p>11 point in time I am still very, very troubled by</p> <p>12 the lack of -- this is before the July 2nd</p> <p>13 projections, there's \$160 million worth of RRI</p> <p>14 deferrals in the May 5th projections, and nobody's</p> <p>15 told me where those go. Okay?</p> <p>16 So those are -- I'm having those</p> <p>17 kinds of discussions and disagreements, if you</p> <p>18 will, with the City as to whether or not that is</p> <p>19 an important issue for me or not an important</p> <p>20 issue for me.</p> <p>21 MR. KANE: When you just said "at</p> <p>22 this point in time" you're referring to his</p> <p>23 questions about the meeting --</p> <p>24 THE WITNESS: I'm talking about in</p> <p>25 this time --</p>	<p style="text-align: right;">Page 384</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. -- to one that was about, What is</p> <p>4 your role?</p> <p>5 A. Right.</p> <p>6 Q. And then was there a subsequent</p> <p>7 conversation held on that?</p> <p>8 A. I think we worked it out. I mean, we</p> <p>9 ultimately had a -- we agreed to have a -- what we</p> <p>10 refer to as the big issues meeting here in New</p> <p>11 York. We had it in this room with the City, to go</p> <p>12 through what I consider to be the issues and in</p> <p>13 essence it almost looks like the table of contents</p> <p>14 to my report. Right?</p> <p>15 Q. In terms of --</p> <p>16 A. Feasibility.</p> <p>17 Q. Did you go down the list of things</p> <p>18 that you thought was a big issue to the findings</p> <p>19 of feasibility? Is that what you mean?</p> <p>20 A. Yes. We talked general -- we talked</p> <p>21 about what I thought was important to my</p> <p>22 feasibility assessment. And I listened to the</p> <p>23 City as to whether or not they thought those were</p> <p>24 big issues.</p> <p>25 Q. And so, did -- in this meeting on</p>

96 (Pages 381 to 384)

<p style="text-align: right;">Page 385</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 June 11th --  3 A. Uh-huh.  4 Q. -- did Judge Rosen play a role in  5 helping immediate, so to speak, the differences  6 between you and the City?  7 A. It really wasn't -- I mean, at that  8 point in time we were getting along. Right. We  9 were getting along. We had a better flow of  10 information. We had worked out the -- them  11 attending interviews that I had. And we were --  12 you know, again, the City was very interested in  13 trying to understand what it was I was thinking  14 about the projections.  15 Q. I see.  16 A. And we agreed to have a meeting the  17 subsequent week here in New York to hash out, you  18 know, again, I would still like to have the  19 pension sensitivity analysis, I don't have them.  20 Q. Yeah.  21 A. Right?  22 Q. Do you see on June 12th which is the  23 day after the dinner, the meeting that went into a  24 dinner party --  25 A. Yes.</p>	<p style="text-align: right;">Page 387</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 mean, were -- you were just trying to understand  3 what -- where they were at for purposes of  4 interpreting the model because that ripples  5 through the model in terms of the expenses?  6 A. The -- the projections had -- have  7 always made assumptions about what the collective  8 bargaining agreements would be.  9 Q. In fact, at the time you issued your  10 report, you had not actually seen the collective  11 bargaining agreements, correct?  12 A. I actually had gotten them the  13 weekend before, but have not looked at them. I'm  14 not -- and it has been represented to me and I  15 believe what E &amp; Y has told me, that the economics  16 of the collective bargaining are appropriately  17 modeled in the July 2nd projections.  18 What I haven't looked at is what the  19 noneconomic terms might be.  20 Q. The work rules and so forth?  21 A. Yes.  22 Q. Anything else you can remember that  23 about that June 12th meeting?  24 A. No.  25 Q. Now, on June 16th, four days later,</p>
<p style="text-align: right;">Page 386</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 Q. You met with the DPOA and its counsel  3 and also Dick Ravitch.  4 Do you see that?  5 A. Dick was in town those days, yes.  6 Q. Do you remember him being in on that  7 meeting?  8 A. Yes.  9 Q. Why was he in that meeting?  10 A. Dick had specifically requested some  11 meetings with the unions and I was interested in  12 -- at that point in time there weren't settlements  13 with these -- with the union and I was interested  14 in finding out where those -- those were going to  15 come out.  16 Q. Oh, in terms of their negotiations of  17 their collective bargaining agreement?  18 A. Yes.  19 Q. Did they -- did the people at that  20 meeting tell you where the union and the City  21 stood on that subject?  22 A. They -- they shared with me what they  23 thought what it was that they were seeking versus  24 what the City had suggested, yes.  25 Q. Okay. And -- okay. And then, I</p>	<p style="text-align: right;">Page 388</p> <p>1 - MARTI KOPACZ - VOLUME 1-  2 there's another meeting with Mr. Ravitch.  3 A. Uh-huh.  4 Q. And this one says, Work on report  5 sections pension -- pensions and post-confirmation  6 issues.  7 A. Yes.  8 Q. Now, this is a little more  9 substantive, at lease to my eye.  10 A. Yes.  11 Q. It looks like you are having a  12 working session on report issues. But you tell  13 me.  14 A. Yes, and I'd have to look at my time  15 records to see. I don't remember. I -- I -- I  16 think we were in New York I think that week.  17 Q. Was --  18 A. Yes, because we were here for  19 meetings with AFSCME and Miller Buckfire and the  20 big issues meeting.  21 Q. And I note -- and do you remember  22 anything else about what you worked on on your  23 report with Mr. Ravitch?  24 A. We -- we -- yes, I do. I remember  25 the working through at that point in time we -- I</p>

<p style="text-align: right;">Page 389</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 believe we had what we thought was going to be the</p> <p>3 final legislation that may have been signed</p> <p>4 already on the Grand Bargain. And worked</p> <p>5 through -- talked through some of the issues</p> <p>6 relative to post-confirmation. And we talked</p> <p>7 through some of the analysis that we were doing on</p> <p>8 the pensions.</p> <p>9 Q. By "we" you mean?</p> <p>10 A. Phoenix.</p> <p>11 Q. Phoenix?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. So what was his role in that</p> <p>14 meeting?</p> <p>15 A. We were -- we were sharing with Dick</p> <p>16 what we knew about the pension settlements and the</p> <p>17 new pension plan. Okay? Because, again, Dick has</p> <p>18 great knowledge about public pensions in general,</p> <p>19 but he really didn't have a lot of knowledge about</p> <p>20 the Detroit circumstance as it was. So we were</p> <p>21 simply talking through this is what the settlement</p> <p>22 looks like, this is what the funding looks like,</p> <p>23 this is how the restoration works, this is how the</p> <p>24 new hybrid plan works, those sort of things.</p> <p>25 Q. I see. And then he actually goes to</p>	<p style="text-align: right;">Page 391</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. -- with the City?</p> <p>3 A. Yes.</p> <p>4 Q. And I take it both they and the City</p> <p>5 told you what the issues were that were keeping</p> <p>6 the parties apart?</p> <p>7 A. Generally, yes.</p> <p>8 Q. So, was Mr. Ravitch playing any role</p> <p>9 here, as almost like trying to get people</p> <p>10 together? Was he playing --</p> <p>11 A. No.</p> <p>12 Q. -- a quasi mediation role?</p> <p>13 A. No.</p> <p>14 Q. Just as a grand old man saying, look</p> <p>15 guys, like --</p> <p>16 A. Great old man.</p> <p>17 Q. He wasn't saying, look -- I mean, was</p> <p>18 he trying --</p> <p>19 A. He -- again, the concern Mr. Ravitch</p> <p>20 had and the concern I had about post-confirmation</p> <p>21 issues was in the legislation that ultimately was</p> <p>22 signed. Okay? There is no oversight committee</p> <p>23 direct involvement in negotiations. Okay?</p> <p>24 There's an approval process.</p> <p>25 There's also -- if, in fact, the</p>
<p style="text-align: right;">Page 390</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 a meeting the next day with AFSCME and you?</p> <p>3 A. Yes.</p> <p>4 Q. Why did he go to that meeting and why</p> <p>5 did you go to that meeting?</p> <p>6 A. Again, that meeting was to talk with</p> <p>7 the union about both the agreements they had</p> <p>8 reached and the -- there's many -- there are</p> <p>9 several AFSCME locals in Detroit, some of whom at</p> <p>10 that point in time had -- had reached agreement</p> <p>11 and some who had not. Okay. So again, I'm just</p> <p>12 doing my diligence around the status of the AFSCME</p> <p>13 deals and negotiation.</p> <p>14 Q. In terms of, okay -- I mean, you can</p> <p>15 find out the ones that are done, what are the</p> <p>16 terms. Right?</p> <p>17 A. And the ones that need to be done.</p> <p>18 Like, for example, the AFSCME for DDOT was not</p> <p>19 done at this time and that was important to me to</p> <p>20 know where that was going. I had heard from the</p> <p>21 City side as to what that was going to be about</p> <p>22 and I wanted to hear from the union side.</p> <p>23 Q. So it was kind of like what are the</p> <p>24 issues in your negotiation --</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 392</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 unions don't have a negotiation and haven't</p> <p>3 resolved agreement now, there is still going to be</p> <p>4 the right to go to arbitration post-confirmation.</p> <p>5 Some of the early draft legislation</p> <p>6 did not have the arbitration ability in there and</p> <p>7 that's, again -- it's -- it is one of those</p> <p>8 qualitative sort of risk factors, that if you</p> <p>9 don't get a deal with your unions pre-confirmation</p> <p>10 -- right?</p> <p>11 Q. Yeah.</p> <p>12 A. Then you may be subject to</p> <p>13 arbitration down the road and that creates more</p> <p>14 unknown.</p> <p>15 Q. So, was it your understanding that</p> <p>16 Mr. Ravitch was basically trying to understand</p> <p>17 what the needs of the unions were so he had that</p> <p>18 understanding as he was talking to people about</p> <p>19 the Grand Bargain legislation?</p> <p>20 A. I don't know. I don't know.</p> <p>21 Q. Okay. It just wasn't clear to you,</p> <p>22 then, what he was doing there; is that fair?</p> <p>23 A. I don't know why he sought to join me</p> <p>24 during that meeting.</p> <p>25 Q. Okay. I'm not saying he's not a</p>

1 - MARTI KOPACZ - VOLUME 1-  
2 generally helpful guy. I'm sure he is. He has a  
3 wealth of experience.

4 But in terms of -- you knew why you  
5 were there, right?

6 A. I knew why I was there. I think he  
7 had already been to Lansing at that point.

8 Q. Okay. But if I walked up to you and  
9 said Marti, what's Dick doing here, you would have  
10 said, I don't know, he came along?

11 A. Yes.

12 Q. Okay. I said that we would break at  
13 6:00, I'm happy to push on --

14 A. We can push. Let's try to get  
15 through this.

16 Q. Let's try to do it.

17 MR. STEWART: How much more do you  
18 have?

19 MR. HACKNEY: I'm getting much  
20 closer. I'll bet I don't have more than half  
21 an hour and I'll try to keep it shorter than  
22 that.

23 MR. LERNER: The record should  
24 reflect the air just went off, too.

25 MR. HACKNEY: That's part of my plan.

1 - MARTI KOPACZ - VOLUME 1-  
2 BY MR. HACKNEY:

3 Q. Okay. And then -- take a look down  
4 at July 9, you have a call with -- you have a  
5 meeting with Mr. Ravitch and Mr. Kiernan of Schiff  
6 Hardin.

7 A. Yes.

8 Q. Who is Mr. Kiernan?

9 A. Mr. Kiernan is Mr. Ravitch's personal  
10 attorney.

11 Q. Okay.

12 A. He is also involved in the Blinken  
13 report.

14 THE VIDEOGRAPHER: I think your  
15 microphone is off.

16 THE WITNESS: It fell off, yes.

17 Mr. Kiernan is -- Mr. Ravitch refers  
18 to him as "my personal attorney on this  
19 matter," and Mr. Kiernan was also involved  
20 with Mr. Ravitch and the Blinken report.

21 Q. Okay. And then -- and then you  
22 talked about revised projections and impact on  
23 feasibility?

24 A. Yes.

25 Q. So how did this meeting come about?

1 - MARTI KOPACZ - VOLUME 1-  
2 Did you request it or did he request it,  
3 Mr. Ravitch?

4 A. I don't recall.

5 Q. Okay. And this is just for  
6 reference, Ms. Kopacz, we're talking -- this is  
7 about three weeks ago.

8 A. This was about three weeks ago. We  
9 were in New York.

10 Q. Okay.

11 A. I know we were in New York. We had  
12 lunch at an Irish pub and Dick had asked Mr.  
13 Kiernan to do research on feasibility and to share  
14 that with us.

15 Q. Oh, his personal lawyer did legal  
16 research on feasibility?

17 A. Yes.

18 Q. Okay. So what did he say?

19 A. He told me about Mount Carbon which  
20 we already knew about, the Mount Carbon decisions  
21 and, you know, the kind of the -- what's the other  
22 district in Colorado, the other decision that  
23 references Mount Carbon? But they're all by the  
24 same judge. Right. And about the fact that there  
25 is very little case history on Chapter 9

1 - MARTI KOPACZ - VOLUME 1-  
2 feasibility, and that was really it.

3 Q. Okay. So --

4 A. Mr. Ravitch was trying to be helpful.

5 Q. Okay. So you didn't ask Mr. --  
6 because you have a fine lawyer of your own, I  
7 think the record will reflect --

8 A. I do.

9 Q. -- and presumably, I don't want to  
10 get into your communications with him. But to the  
11 extent that you had the need for legal advice,  
12 that's one of the reasons you got a lawyer, right?

13 A. I was allowed to retain Mr. Lerner  
14 and Squire Patton Boggs to help with procedural  
15 matters. Okay?

16 I -- and they have graciously helped  
17 me do other things, but as a practical matter,  
18 I've had no direct legal input into feasibility.

19 Q. Okay. From Mr. Lerner?

20 A. From Mr. Lerner.

21 They have gratuitously done some of  
22 that stuff. But remember, I was deep into this  
23 before I ever got to hire them.

24 Q. Yeah. Okay. So but did you say to  
25 Mr. Ravitch, can you get your lawyer to give me

- MARTI KOPACZ - VOLUME 1-

advice?

A. No, no, no, no, no.

Q. So this was his idea?

A. Mr. Ravitch independently wanted his own understanding of feasibility. He's not a bankruptcy guy at all. Right? In terms of really deeply understanding even Chapter 11. Most of us here understand Chapter 11, right?

So we at least understand what we think we understand about feasibility in Chapter 11.

Q. Okay.

A. Mr. Ravitch doesn't have any experience in that world so he has been asking Mr. Kiernan to help him research feasibility.

Q. But do you know -- did he ever tell you why?

A. I think because he's a curious man.

Q. Okay.

A. And he, you know, again, wants to understand what it is that Judge Rhodes is asking him. So he said next time you're in New York, let's have lunch and we'll bring my attorney and he'll tell you all of the things that he knows

- MARTI KOPACZ - VOLUME 1-

cared about, that I thought it was advisable, A, to have his input; and if he was going to have a different opinion, him also being a judge's expert.

Q. Right.

A. He should know that we were going to have a difference of opinion.

Q. Okay. And did you?

A. We did.

Q. You did?

A. We do.

Q. You do?

A. Yes.

Q. What was his different view?

A. He very strongly believes that the CFO of the City should report directly to review commission.

Q. I see.

A. And he believes that the City should be mandated to prepare budgets and plans according to generally-accepted accounting principles.

Q. That was a -- that was recommendation he had successfully implemented in New York, if I recall?

- MARTI KOPACZ - VOLUME 1-

about feasibility.

Q. Okay. And then the last conversation with Mr. Ravitch is on July 16th, that's just a couple of days before your report was due?

A. Yes.

Q. Okay. And that was also a meeting?

A. Yes.

Q. Now, that one --

A. That was in our office --

Q. You might remember that one more clearly?

A. I do, I do.

Q. Okay. So what happened in that one? Who was there and what did you talk about?

A. That was a meeting in which Mr. Ravitch came to our offices. We were drafting the report and I asked Mr. Ravitch to review the section on pensions and post confirmation.

Q. Okay. And give you feedback? Or not?

A. Yes.

Q. If he liked it, right?

A. Yeah, it was. And again, because those are issues that I knew he really, really

- MARTI KOPACZ - VOLUME 1-

A. Yes.

Q. And he wanted the same thing in Detroit?

A. Yes.

Q. And was he sort of, you know, encouraging you to adopt his view in the report?

A. No.

Q. Or did he just say --

A. No.

Q. -- I take a different view, this is my view?

Because your position was it was tolerable that the CFO not report directly, right?

A. That's correct.

Q. I think you say words that it would be okay if he did, but it's not a problem if he doesn't, paraphrasing.

A. That's fair.

Q. It's says whatever it says.

A. Yes.

Q. And then you didn't ultimately take a position on GAAP reporting, right?

A. I didn't. It -- by definition, GAAP doesn't apply to governments. Right?

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Yes.

3 A. By definition, GAAP doesn't apply to  
4 budgets. All right. I lived through this in  
5 Nassau County, okay? Why people think GAAP  
6 applies to budgets is beyond me. GAAP applies to  
7 historical accounting.

8 Now, using GAAP-type principles to  
9 prepare your budgets so that they are easily  
10 comparable to your actuals and so that the  
11 categorization of revenues and expenses is  
12 similar, is very, very good.

13 Q. Okay. So just a few more questions  
14 here, ma'am.

15 A. Sure.

16 Q. Go back to May 13th at the bottom of  
17 the page, you have a call with Judge -- well, it's  
18 a call, looks like it's a call with Judge Rhodes.

19 But was it a call with Judge Rhodes?

20 A. May 13th, I'm sorry.

21 Q. It's at the very bottom of the page  
22 on May 13. It's Re: Supplemental order.

23 A. Yes.

24 Q. And this time did you actually have a  
25 call with him or was it just a call with his

1 - MARTI KOPACZ - VOLUME 1-  
2 chambers?

3 A. No, this was a call with him.

4 Q. What did you all discuss on this  
5 call?

6 A. This was when we got the supplemental  
7 order on -- this -- this I know part of this was  
8 the question of whether or not anything I was  
9 doing was protected or privileged.

10 Q. Okay. So did you call him or did he  
11 call you?

12 A. I called him.

13 Q. And you said, I'd like to talk to the  
14 judge because there's a question around  
15 confidentiality?

16 A. Yes. And this is the point in time  
17 when I said to him, I need counsel.

18 Q. This is when you said I need counsel?

19 A. I need counsel. I -- I asked him  
20 about counsel when he called me on April 21st and  
21 he said --

22 Q. You mean when his chambers called  
23 you?

24 A. When his -- No. When he called me to  
25 ask me if I would accept the appointment --

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Oh, sorry.

3 A. -- I asked him then, Do I need  
4 counsel. And he said, Of course you don't need  
5 counsel.

6 Q. Oh. That's not how I thought of it,  
7 but that's okay.

8 A. And I -- right. And he said of  
9 course --

10 Q. He's the Judge.

11 A. -- you don't need counsel. And the  
12 next time I talked to him, when I sent my first  
13 letter, I said do -- I think I need counsel. No,  
14 you don't need counsel.

15 Q. And then the third time you won?

16 A. Yes.

17 Q. So, was the driver on this call, you  
18 were calling him to basically say I need to  
19 understand what confidentiality means --

20 A. Yes.

21 Q. -- and I need a lawyer?

22 A. Well, I -- people that I wanted to  
23 talk with, other professionals in this matter,  
24 okay, were -- there's a lot of work that's been  
25 done in this case by other professional beyond the

1 - MARTI KOPACZ - VOLUME 1-

2 City. I wanted to have the benefit of that and  
3 while most people would have trusted my  
4 professionalism to take that information and do  
5 something appropriate with it, not inappropriate,  
6 the concern raised by counsel, appropriately, was,  
7 oh, my gosh, if we give it to the expert, that  
8 does that mean it's going to be discoverable to  
9 somebody else? And I'm sitting there going I have  
10 no clue.

11 Q. Yeah. And it does. Yeah.

12 A. I have no clue. And I said I  
13 can't -- you know.

14 Q. So then you said I'm going to call  
15 the Judge to get clarity on this?

16 A. Yes.

17 Q. Okay. Now, did you -- had  
18 Judge Rosen sort of set a precedent for you a  
19 little bit in terms of his admonition to you that  
20 it's okay to call the Judge if you have a question  
21 or did you think about --

22 A. I don't know. At that point in time,  
23 you know, it's hard. He's taken my calls gratis  
24 and I said, what do I do Because you've got to go  
25 to the Judge.

1 - MARTI KOPACZ - VOLUME 1-  
 2 Q. How many times have you talked the  
 3 Judge?  
 4 A. Three maybe.  
 5 Q. So there's -- I mean  
 6 post-appointment.  
 7 A. About I think three.  
 8 Q. So we just discussed the first one,  
 9 right?  
 10 A. The first one -- the first one I'm  
 11 not sure I ever talked to him.  
 12 Q. No, I'm talking about this -- this  
 13 one --  
 14 A. I think this -- yes.  
 15 Q. -- with the confidentiality and the  
 16 counsel?  
 17 A. Yes. Right. That was the first  
 18 time.  
 19 Q. That's the first one.  
 20 A. That I actually talked to him and  
 21 then I talked to him again --  
 22 Q. I'm not talking about his chambers.  
 23 I know you talked to his chambers before.  
 24 A. Right. This is the first time I  
 25 talked to him.

1 - MARTI KOPACZ - VOLUME 1-  
 2 Q. I'm talking about him. Okay. Then  
 3 when's the next time you talked to him? It may be  
 4 on here but --  
 5 MR. LERNER: It is?  
 6 THE WITNESS: It is. I -- when I  
 7 asked for the extension --  
 8 BY MR. HACKNEY:  
 9 A. -- the extension.  
 10 Q. June 2nd. I think this is before the  
 11 extension, ma'am.  
 12 June 2nd, or maybe you did. Are  
 13 there more -- more than one extension?  
 14 A. Uh-huh. I've had two.  
 15 Q. Okay. So -- okay. So June 2nd you  
 16 think this is bankruptcy discovery transmission  
 17 issues is the topic.  
 18 Did you do a call with the Judge and  
 19 Jones Day where you said, words to the effect of  
 20 I'm not getting what I need or I'm having trouble  
 21 or whatever you said? Mr. Lerner's saying no.  
 22 A. Uh-huh.  
 23 Q. Do you remember what this was about?  
 24 A. This was -- this may have been the  
 25 call that Judge Rhodes scheduled for all of us to

1 - MARTI KOPACZ - VOLUME 1-  
 2 make sure that I had gotten the --  
 3 Q. Oh.  
 4 A. -- information -- yes.  
 5 Q. Okay.  
 6 A. This is the call that followed up  
 7 from had I gotten the working models that I  
 8 wanted.  
 9 Q. Do you remember Mr. Lerner sent a  
 10 letter --  
 11 A. Yes.  
 12 Q. -- and Mr. Stewart sent a letter  
 13 back?  
 14 A. Yes.  
 15 Q. Mr. Stewart sent a nasty letter, and  
 16 then -- and then there was a hearing on this?  
 17 A. Yes.  
 18 Q. And then the Judge said we're going  
 19 to follow up and have a call to see if we got it?  
 20 A. That's what the call was.  
 21 Q. And was this call basically like  
 22 we've got what we need, we're okay? Anything else  
 23 substantive on this call?  
 24 A. Not that I recall.  
 25 Q. Okay. Now, take a look down at

1 - MARTI KOPACZ - VOLUME 1-  
 2 June 9. There's two calls with Judge Rhodes. The  
 3 first one is just you and Mr. Lerner. The second  
 4 one is you and Mr. Lerner and a bunch of people  
 5 from the City. Do you see those two things?  
 6 A. Yes.  
 7 Q. Are those calls -- did you call with  
 8 Mr. Lerner and say we need a call?  
 9 A. This is when I believe that I said I  
 10 don't think I can make the 24th deadline.  
 11 Q. Okay. And did the Judge  
 12 effectively -- did you talk the Judge himself?  
 13 A. Yes.  
 14 Q. And then --  
 15 A. And then he said, We need to get  
 16 everybody on the call.  
 17 Q. And then -- then everybody, though,  
 18 was just the City?  
 19 A. Yes.  
 20 Q. Okay. Excuse me. There were never  
 21 any of your calls with Judge Rhodes -- there were  
 22 never any creditors on the call, correct? It was  
 23 always just you or you plus your counsel and the  
 24 City, right?  
 25 A. That's correct.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Now -- and do you remember, was the  
3 June 9 call just basically like when do you think  
4 you can get it done type of call?

5 A. I think this was -- again, it was all  
6 part of that follow-up from the hearing where he  
7 basically said we're going to have a call every  
8 week to make sure you're getting what you need.

9 Q. Okay.

10 A. There was -- there was never any  
11 substantive conversations.

12 Q. Right.

13 A. It was more like are you getting what  
14 you need.

15 Q. Okay. And in general, it was either  
16 yes or I need this thing, and then you would get  
17 it?

18 A. Yes.

19 Q. That's how -- is that a fair  
20 characterization, which was it was either things  
21 which are fine or there was an open issue and you  
22 would raise it and it would get addressed?

23 A. Yes.

24 Q. Other than the -- whatever didn't get  
25 addressed that you noted in your report?

1 - MARTI KOPACZ - VOLUME 1-

2 A. Right.

3 Q. Look at June 14th. You see that one?

4 A. Yes.

5 Q. Now, was this a call? This is  
6 Mr. Lerner and you again just with the Judge.

7 A. Uh-huh. Yes.

8 Q. And was it with the Judge himself?

9 A. I think so.

10 Q. And do you remember what you  
11 discussed? The topic is "status on report  
12 completion."

13 A. This is -- this is -- I -- my  
14 recollection is this is I'm ten days way from my  
15 original deadline and I'm pretty confident that  
16 I'm not making it.

17 Q. Okay. And so now you're -- are you  
18 sort of expressing to Judge Rhodes here more, you  
19 know, forcefully that you're not going to be able  
20 to make that deadline?

21 A. I'm not making this deadline.

22 Q. Okay. And what did he say to you?

23 A. I think he basically said, Okay,  
24 what -- you know, how much more time do you need,  
25 et cetera. I remember when we were in court,

1 - MARTI KOPACZ - VOLUME 1-

2 we -- I told him that I -- you know, I was -- I  
3 was a few weeks behind on getting the information  
4 that I needed and that I was in all likelihood  
5 going to be -- even if I got the information  
6 post haste, I was going to need more time than was  
7 originally allotted. And I think this was the  
8 call to him that said, yes, I need more time.

9 Q. And then on July 14th -- anything  
10 else you can recall?

11 A. Nothing.

12 Q. And on July 14th, do you see that  
13 there's another call with you and Mr. Lerner and  
14 Mr. Stewart with Judge Rhodes re: scheduling and  
15 report due date?

16 A. Yes.

17 Q. And was this the call where you said  
18 you might need an additional -- I think your  
19 report -- your --

20 A. Isn't that the one we just talked  
21 about?

22 Q. Well, no. Because the one we talked  
23 about was from much earlier. It was from June 14,  
24 so it was a month --

25 A. June 14th. Oh, and you're saying

1 - MARTI KOPACZ - VOLUME 1-

2 July.

3 Q. Yeah. Do you see it down there?

4 A. Yeah. Okay.

5 Q. Now you're pressing up against  
6 another deadline which is July 15.

7 A. Yes.

8 Q. And was this where you communicated  
9 the Judge that you might need the extra three days  
10 that I think you ended up taking?

11 A. Yes.

12 Q. Is that right, ma'am?

13 A. That's correct.

14 Q. And did you have any other  
15 conversation with him on this call?

16 A. No.

17 Q. Did you ever have a substantive  
18 conversation with Judge Rhodes about your report?

19 A. Nothing.

20 Q. No -- never gave him a sense of where  
21 your --

22 A. No.

23 Q. -- conclusions were leading you?

24 A. No. And this is where he instruct --  
25 yeah, this is -- this is when he gave me the extra



1 - MARTI KOPACZ - VOLUME 1-  
2 couple of days.

3 Q. The only thing that I -- I didn't see  
4 on here that I wanted to ask you about was I had a  
5 colloquy with him at one point where he said to us  
6 that he wanted to talk to you about, for lack of a  
7 better word, what your report was going to say.

8 A. Yes.

9 Q. And we had a colloquy in court where  
10 we said, yeah, okay. It's good to know you're  
11 going to do that, and -- and then he said, yeah,  
12 you can ask her about what she and I discussed. I  
13 wasn't -- that's about what he said. It was  
14 something like that.

15 Did you have a -- did you have a  
16 conversation with him closer to -- I mean did you  
17 have another conversation with him other than was  
18 listed here?

19 A. No. He -- the -- the -- the  
20 discussions that I had with Judge Rhodes about our  
21 discussions, okay -- and bear with me. I'm going  
22 to tell you.

23 On June 21st -- on April 21st when he  
24 called me to ask me if I was still interested in  
25 serving as his expert, right, we had a

1 - MARTI KOPACZ - VOLUME 1-  
2 conversation and he said we're going to talk about  
3 what we need to talk about now. And he said, I  
4 don't intend to talk to you about anything until  
5 maybe ever or until much closer to when you're  
6 going to issue your report. Okay?

7 So he told me up front that we  
8 weren't going to have any -- any communications,  
9 substantive communications. He said I'm going to  
10 put a procedure in place where if you need help to  
11 get information, right, you will -- you will  
12 communicate with me you will send me a letter. We  
13 will put it on the docket and we will have a  
14 hearing and I will do that very, very quickly.  
15 Okay?

16 He never had another conversation  
17 with me until I believe this 14th where he said, I  
18 want you to send me your final report and once I  
19 see your final report, I will tell you how to  
20 distribute it.

21 Q. Before you filed it? Oh, I see.  
22 Before you filed -- before you served it?

23 A. Yes.

24 Q. And did you do that?

25 A. I did.

1 - MARTI KOPACZ - VOLUME 1-

2 Q. Okay. So -- so you sent him an  
3 e-mail that had your -- what you considered your  
4 final report. It was signed?

5 A. Yes. I sent --

6 Q. Or was it a draft ready to be signed  
7 or --

8 A. -- no. No. It was -- he did not  
9 want any drafts. He wanted the final report. I  
10 sent it to him at 3:30 on -- 3:31 on Friday and at  
11 4:49 I got a call from him and his chambers  
12 saying, You're authorized to distribute it, but I  
13 have no idea how you do that. So, get ahold of  
14 your lawyer and get ahold of Jones Day and figure  
15 out who it needs to go to, and that was it. And  
16 he said I would -- he was going to send it to  
17 Mr. Ravitch.

18 MR. HACKNEY: Ma'am, thanks for your  
19 time today. I'm going to pass the mic to  
20 Mr. Levin, but I think -- it's Mr. Wagner I  
21 should say from Kramer Levin, but I think  
22 that it's his expectation that maybe he'll  
23 pick up with you tomorrow.

24 (Whereupon, a brief discussion was  
25 held off record.)

1 - MARTI KOPACZ - VOLUME 1-

2 MR. KANE: Why don't we pick up  
3 tomorrow?

4 MR. HACKNEY: Yeah. We'll call it a  
5 day. Thanks for your time.

6 THE WITNESS: Thank you.

7 THE VIDEOGRAPHER: Thank you all very  
8 much. The time now is approximately  
9 6:21 p.m. We're going off the record and  
10 just finished for today to be continued  
11 tomorrow. There are five DVDs to today's  
12 deposition.

13 (Whereupon, the deposition adjourned  
14 at 6:21 p.m.)  
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25

- MARTI KOPACZ - VOLUME 1-  
A C K N O W L E D G E M E N T

STATE OF NEW YORK     )  
                                  ) ss.  
COUNTY OF NEW YORK    )

I, MARTI KOPACZ, hereby certify that I have  
read the transcript of my testimony taken under  
oath in my deposition of July 31, 2014; that  
the transcript is a true, complete and correct  
record of my testimony, and that the answers on  
the record as given by me are true and correct.

\_\_\_\_\_  
MARTI KOPACZ

Subscribed and sworn  
to before me on this the  
\_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Notary Public, State of New York  
My commission expires:\_\_\_\_\_

- MARTI KOPACZ - VOLUME 1-  
C E R T I F I C A T E  
STATE OF NEW YORK     )  
                                  ) ss.  
COUNTY OF NEW YORK    )

I, HOPE LYNN MENAKER, a Notary Public within  
and for the State of New York, do hereby certify:

That MARTI KOPACZ, the witness whose  
deposition is hereinbefore set forth, was duly  
sworn by me and that such deposition is a true  
record of the testimony given by the witness.

I further certify that I am not related to  
any of the parties to this action by blood or  
marriage, and that I am in no way interested in  
the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto  
set my hand this August 1, 2014.

\_\_\_\_\_  
HOPE LYNN MENAKER

VOLUME II  
VIDEOTAPED DEPOSITION OF MARTI  
KOPACZ, held at the offices of Squire Patton  
Boggs, 30 Rockefeller Plaza, New York, New York,  
pursuant to Order, before Hope Menaker, a  
Shorthand Reporter and Notary Public of the State  
of New York.

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 19 ALSO PRESENT:  
 20 Thomas Devine, Videographer  
 21 Brian Gleason  
 22  
 23  
 24  
 25

1 - MARTI KOPACZ - VOLUME II-  
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<p style="text-align: right;">Page 427</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 THE VIDEOGRAPHER: Good morning.</p> <p>3 We're now on the record. The date is August</p> <p>4 1st, 2014, and the time is approximately</p> <p>5 9:04 a.m.</p> <p>6 We are located at the offices of</p> <p>7 Squire Patton Boggs, 30 Rockefeller Center,</p> <p>8 New York, New York.</p> <p>9 We are taking the deposition of Marti</p> <p>10 Kopacz, Volume II, second day, In Re: City of</p> <p>11 Detroit Bankruptcy, U.S. Bankruptcy Court,</p> <p>12 Eastern District of Michigan, Southern</p> <p>13 Division, Chapter 9, Case Number 13-53846.</p> <p>14 My name is Thomas Devine and I'm the</p> <p>15 video specialist with Elisa Dreier Reporting.</p> <p>16 The court reporter is Hope Menaker</p> <p>17 also with Elisa Dreier Reporting.</p> <p>18 At this time I would like to ask the</p> <p>19 attorneys to please introduce themselves for</p> <p>20 the video record.</p> <p>21 Please state your name, the firm with</p> <p>22 which you are affiliated and who you</p> <p>23 represent, after which the Court reporter</p> <p>24 will swear in the witness and we may proceed.</p> <p>25 MR. WAGNER: Jonathan Wagner from</p>	<p style="text-align: right;">Page 429</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Patton Boggs on behalf of Ms. Kopacz.</p> <p>3 MS. QUADROZZI: Jaye Quadrozzi, Young</p> <p>4 &amp; Associates, on behalf of Oakland County.</p> <p>5 MR. ALBERTS: Sam J. Alberts of</p> <p>6 Dentons on behalf of the</p> <p>7 Official Committee of Retirees.</p> <p>8 THE VIDEOGRAPHER: Thank you. Hope,</p> <p>9 would you please swear -- oh, and the people</p> <p>10 on the phone, excuse me.</p> <p>11 People on the phone.</p> <p>12 MS. HUBBARD: Heather Hubbard at</p> <p>13 Waller Lansden on behalf of U.S. Bank.</p> <p>14 MS. KOGAN: Olga Kogan at Davis Polk</p> <p>15 &amp; Wardwell on behalf of Merrill Lynch.</p> <p>16 MR. MILLER: Evan Miller, Jones Day,</p> <p>17 on behalf of the City of Detroit.</p> <p>18 MS. NEVILLE: Carol Neville on behalf</p> <p>19 of the Retiree Committee.</p> <p>20 THE VIDEOGRAPHER: Thank you. Hope,</p> <p>21 would you please swear in the witness.</p> <p>22 MARTI KOPACZ, recalled as a witness,</p> <p>23 having been duly sworn on August 1st, 2014,</p> <p>24 by a Notary Public, was examined and</p> <p>25 testified as follows:</p>
<p style="text-align: right;">Page 428</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Kramer Levin representing the Ad Hoc COPs</p> <p>3 Holders.</p> <p>4 MS. SCHAPIRA: Lisa Schapira of</p> <p>5 Chadbourne &amp; Parke, representing Assured</p> <p>6 Guaranty Municipal Corp.</p> <p>7 MR. NEAL: Guy Neal, Sidley Austin,</p> <p>8 National Public Finance Guaranty.</p> <p>9 MR. HACKNEY: Stephen Hackney,</p> <p>10 Kirkland &amp; Ellis on behalf of Syncora.</p> <p>11 MR. BRILLIANT: Allan Brilliant from</p> <p>12 Dechert LLP on behalf of Macomb County by and</p> <p>13 through the Public Works Commissioner Anthony</p> <p>14 Morrocco and the Macomb Interceptor Drainage</p> <p>15 District.</p> <p>16 MR. BLANCHARD: Alex Blanchard, Jones</p> <p>17 Day on behalf of the City.</p> <p>18 MS. GREEN: Jennifer Green, Clark</p> <p>19 Hill, on behalf of the retirement systems.</p> <p>20 MS. DEEBY: Shannon Deeby, Clark</p> <p>21 Hill, also on behalf of the retirement</p> <p>22 systems.</p> <p>23 MR. KANE: Scott Kane of Squire</p> <p>24 Patton Boggs on behalf of the witness.</p> <p>25 MR. LERNER: Stephen Lerner of Squire</p>	<p style="text-align: right;">Page 430</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 EXAMINATION BY MR. WAGNER:</p> <p>3 Q. Good morning, Ms. Kopacz.</p> <p>4 A. Good morning.</p> <p>5 Q. I'm sorry to disturb everyone's</p> <p>6 repose this morning, but we have to talk about</p> <p>7 pensions for about the next 45 minutes.</p> <p>8 Did you write the pension portions of</p> <p>9 your report?</p> <p>10 A. Did I write them?</p> <p>11 Q. Yes.</p> <p>12 A. I drafted them and edited them --</p> <p>13 Q. So that --</p> <p>14 A. -- but I was assisted by members of</p> <p>15 my team.</p> <p>16 Q. So you did write them?</p> <p>17 A. I -- I'm taking responsibility for</p> <p>18 them, yes.</p> <p>19 Q. But did you actually put pen to paper</p> <p>20 with respect to those sections?</p> <p>21 A. From an editing and -- somewhere in</p> <p>22 the drafting -- I didn't write the first draft of</p> <p>23 that section, no.</p> <p>24 Q. Who wrote the first draft?</p> <p>25 A. Combination of Mike Gaul and Brian</p>

3 (Pages 427 to 430)

1 - MARTI KOPACZ - VOLUME II-  
2 Gleason and Bob Childree.

3 Q. I apologize if I repeat some of  
4 Mr. Hackney's questions, but am I right you have  
5 no experience with actuarial issues?

6 A. That's correct.

7 Q. And you have no prior -- pension is  
8 not your area of expertise, is it?

9 A. I would not consider myself a pension  
10 expert.

11 Q. Are the pension portions of your  
12 report important to your conclusions?

13 A. Yes.

14 Q. And if the pension portions of your  
15 report are factually or inaccurate -- factually or  
16 analytically incorrect, would you agree with me  
17 that undermines the conclusions you reached in  
18 your report?

19 A. I don't think they're factually  
20 incorrect or analytically incorrect.

21 Q. Right. But if they are, would you  
22 agree with me that that undermines the conclusions  
23 in your report?

24 A. I don't know that it would. It  
25 depends which -- what would be inaccurate?

1 - MARTI KOPACZ - VOLUME II-

2 Q. Well, we'll get to that.

3 Can you put -- take your report  
4 there. It's Exhibit 1.

5 A. Sure.

6 Q. Can you turn to Page 127.

7 MR. ALBERTS: I'm sorry, Jonathan,  
8 repeat the page.

9 MR. WAGNER: 127.

10 MR. ALBERTS: And if you wouldn't  
11 mind speaking up, only because this is making  
12 a lot of noise.

13 BY MR. WAGNER:

14 Q. Do you have it there?

15 A. I do.

16 Q. Ms. Kopacz, you see the middle  
17 paragraph one, two, three, four, five lines in,  
18 you state, "The retirement systems assumed  
19 aggressive annual rates of return on investment  
20 (PFRS 8.0 and GRS 7.9)."

21 Do you see that?

22 A. I do.

23 Q. What was the basis for your statement  
24 that the annual rates of return assumed by the  
25 retirement systems have been aggressive?

1 - MARTI KOPACZ - VOLUME II-

2 A. They are aggressive relative to what  
3 is agreed to right now in terms of the 6.7 and in  
4 terms of some of the recent past in terms of rates  
5 of return from year to year.

6 Q. Did you look at the rates of return  
7 over the last 25 years for those two systems?

8 A. I'm not sure I looked at 25 years. I  
9 looked at 10. I think, whatever -- a series of  
10 data on those.

11 Q. What did the 10-year data show?

12 A. I would have to look at it again.

13 Q. You don't remember?

14 A. I know that there were -- there were  
15 years in which there were losses in excess of 20  
16 percent.

17 Q. Would you agree with me that it would  
18 be more appropriate to look at data over a longer  
19 period of time?

20 A. Not necessarily.

21 Q. Did you look at any data -- look --  
22 extending over a 25-year period of time?

23 A. I don't know.

24 Q. Did you -- you go on to say in this  
25 statement, and I'll read the whole sentence --

1 - MARTI KOPACZ - VOLUME II-

2 well, you say in the first paragraph,  
3 "Historically, a number of different practices  
4 have contributed to a significant funding  
5 shortfall in the two pension plans..." And you  
6 recite the aggressive rates of return.

7 Did you make any efforts to quantify  
8 what portion of the funding shortfall was  
9 attributable to the supposedly aggressive rates of  
10 return?

11 A. I did not.

12 MR. WAGNER: Let's mark this as  
13 Exhibit 4.

14 (Whereupon, Kopacz Exhibit 4 was  
15 marked at this time.)

16 MR. KANE: Do you have a copy for me?  
17 BY MR. WAGNER:

18 Q. Ms. Kopacz, have you seen Exhibit 4  
19 before?

20 A. I don't recall seeing Exhibit 4  
21 before.

22 Q. Do you know whether you took the  
23 document into account in drawing the conclusions  
24 in your report?

25 A. I don't know.

1 - MARTI KOPACZ - VOLUME II-

2 Q. Would you be surprised to learn that  
3 in most years the two pension funds exceeded the  
4 rates of return that they -- the target rates of  
5 return that they set?

6 A. What -- you're using the time series  
7 of data?

8 Q. Yes.

9 A. Okay. I've looked at this. Can you  
10 ask me the question again?

11 MR. WAGNER: Can you read back the  
12 question.

13 (The question requested was read back  
14 by the reporter.)

15 A. The -- first of all, I don't know who  
16 prepared this. I don't know what the basis is and  
17 I don't -- it says, "actuarial assumed rate of  
18 return" and "calendar year rate of return." Okay.  
19 And I don't know from whence this comes in terms  
20 of how this was calculated.

21 Q. Okay. I want you to assume that the  
22 document is accurate because others have testified  
23 that it is. Would it surprise you to learn that  
24 over the last 25 years, in most years the GRS and  
25 the PFRS have exceeded their targeted rates of

1 - MARTI KOPACZ - VOLUME II-

2 PFRS and GRS exceeded their targeted rates of  
3 return?

4 A. Individually for those years, yes. I  
5 would want to look at the cumulative effects of  
6 this.

7 Q. And would it surprise you that the  
8 people who have done that calculation have  
9 concluded that over the 25-year period for GRS and  
10 over the 15-year period for the PFRS, those two  
11 pension plans have exceeded 7.9 and 8 percent  
12 returns?

13 A. If you want me to assume that is  
14 correct, I will.

15 Q. And would that surprise you?

16 A. Like I said, this -- this is not a --  
17 this is just one data point, okay, so --

18 Q. My question is only whether it would  
19 surprise you, not whether it's one data point.

20 Would it surprise you?

21 A. No.

22 Q. Would it surprise you to learn that  
23 over the last 25 years out of the hundred-odd  
24 largest pension funds in the country, their  
25 average rates of return have exceeded 8 percent?

1 - MARTI KOPACZ - VOLUME II-

2 return?

3 A. In most years?

4 Q. Yes.

5 A. Should we count them? All right.  
6 One, two, three, four, five, six, seven, eight,  
7 nine, ten -- in ten of the years on the general  
8 retirement system, they did not reach the targeted  
9 assumed rates and --

10 Q. So that means -- let me just ask --  
11 so that means in 15 years they exceeded, correct?

12 A. If there are 15 years here. There  
13 are 25 years.

14 Q. So, in most years --

15 A. In 15 --

16 Q. -- the GRS exceeded the targeted  
17 rate, correct?

18 A. Yes.

19 Q. Okay. You can do the math for PFRS.

20 A. Okay. One, two -- three, four --  
21 five. In five of the PFRS years, they did not  
22 reach the targeted return.

23 Q. That's five out of how many?

24 A. Fifteen.

25 Q. So in most years, am I correct, the

1 - MARTI KOPACZ - VOLUME II-

2 A. I haven't looked at that, so I don't  
3 know.

4 Q. You haven't?

5 A. I have not.

6 MR. WAGNER: Let's mark this.

7 (Whereupon, Kopacz Exhibit 5 was  
8 marked at this time.)

9 Q. Have you seen this document before?

10 A. I have seen this document, I believe,  
11 before.

12 Q. As a matter of fact, you cited it in  
13 your report, correct?

14 A. I did. This is the one that gives  
15 the investment return assumptions for various  
16 plans.

17 Q. Can you look at the last sentence on  
18 Page 1 and read it out loud?

19 A. The last sentence?

20 Q. On Page 1.

21 A. "As shown in Figure 1 at 9 percent  
22 the median analyzed investment return for the  
23 25-year period ended December 31st, 2013, it seeks  
24 the average assumption of 7.72 percent in Figure 5  
25 while the 10-year return is below that."

- MARTI KOPACZ - VOLUME II-

Q. And can we agree that 9 percent is more than 7.9 and 8 percent?

A. We can agree to that -- to that.

Q. Are you aware of the rates of return for the PFRS and the GRS in the last fiscal year?

A. In the last fiscal year defined as fiscal year-ended June --

Q. June 30th, 2014.

A. I am not.

Q. So would it surprise you to learn that the rates of return for both PFRS and GRS have been 11 percent and 18 percent respectively?

A. I have heard the 11 percent number. I had not heard the 14 (sic) percent number.

Q. And are you aware that 7.9 and 8 percent fall within the range of reasonableness for returns for PFRS and GRS calculated by the City's pension expert?

A. Am I aware of what?

MR. WAGNER: Could you read it back.

(The question requested was read back by the reporter.)

A. Could you show me the letters from Milliman on that? I mean, we've looked at a lot

- MARTI KOPACZ - VOLUME II-  
of Milliman documents.

Q. Well, you read the Perry report, right?

A. The Perry report?

Q. The Perry expert report?

A. I did not.

Q. It's listed on your list of documents that you reviewed.

A. I didn't review it, personally. Someone on my team must have.

Q. Did you review any of the underlying pension materials?

A. I did some of them, yes.

Q. Did you review the Rockefeller report?

A. I did.

Q. Are you aware that the Rockefeller report has been severely criticized?

A. I would assume all reports have been severely criticized.

Q. That's not my question.

Are you aware that the Rockefeller report has been severely criticized by the public pension community?

- MARTI KOPACZ - VOLUME II-

A. Yes.

Q. Did you look at any of those criticisms?

A. Not specifically, no.

Q. What have those criticisms been?

A. The public pension community generally believes that the -- for example, the investment rate of return is also something that you use for discounting.

Q. And am I right that there is no public pension fund that uses the riskless or the risk-free rate of return to value its pension obligations?

A. No public pension? I don't know that no public pension is generally not -- I wouldn't say no, because I just don't know that there's no --

Q. Okay.

A. -- that uses a lower rate of return.

Q. We'll come back to that.

You mentioned Milliman. Did you have any discussions with Milliman about the pension issues?

A. I did participate in some calls with

- MARTI KOPACZ - VOLUME II-  
Milliman, I believe. My team had more than I did.

Q. Are you aware that Milliman set a rate of return for the pension funds based on the asset -- the current asset allocations; they set a rate of return of 7.2?

A. I believe that's correct, yes.

Q. Do you have any quarrel with that number?

A. Not really.

Q. Did you have any discussions with Gabriel Roder?

A. I did not personally.

Q. Did anyone from your team?

A. I believe they did.

Q. If it's not listed on you -- on the log, would you agree that there had been no such discussion?

A. Not specifically. I would -- would go and check the -- our time records as well. I would hope that the logs for everybody else are accurate, but...

Q. Did you have any discussions with Cynthia Thomas?

A. No.



<p style="text-align: right;">Page 443</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Do you know who she is?</p> <p>3 A. I don't.</p> <p>4 Q. Did anyone ever tell you she was the</p> <p>5 executive director of the two pension systems?</p> <p>6 A. No.</p> <p>7 Q. Do you think that's someone you</p> <p>8 should have spoken to?</p> <p>9 A. Not necessarily.</p> <p>10 Q. Why not?</p> <p>11 A. I spoke with counsel to the pension</p> <p>12 systems. I spoke with some of the people that are</p> <p>13 on the board of the pension systems.</p> <p>14 Q. But you didn't speak to the executive</p> <p>15 director?</p> <p>16 A. I did not.</p> <p>17 Q. You testified yesterday in response</p> <p>18 to Mr. Hackney's questions that there is no need</p> <p>19 to change the plan on account of potential -- the</p> <p>20 potential pension risks that you cite in your</p> <p>21 report.</p> <p>22 Do you recall that testimony?</p> <p>23 A. Can we read it back?</p> <p>24 Q. Well --</p> <p>25 A. I don't remember specifically.</p>	<p style="text-align: right;">Page 445</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Do you have any quarrel with that</p> <p>3 distribution?</p> <p>4 A. I am not an investment manager.</p> <p>5 Q. Is that another way of saying that</p> <p>6 you don't have any quarrel?</p> <p>7 A. No. It just says that I didn't -- I</p> <p>8 accepted it as it was.</p> <p>9 Q. Well, I'm asking you today: Do you</p> <p>10 have any questions --</p> <p>11 A. I have not made that evaluation.</p> <p>12 Q. So the answer is no, you are not able</p> <p>13 to cite any disagreement you have with the</p> <p>14 distribution of assets, are you?</p> <p>15 A. I -- like I said, I have not looked</p> <p>16 at that specifically to arrive at any conclusion.</p> <p>17 MR. WAGNER: Can you read back the</p> <p>18 question.</p> <p>19 (The question requested was read back</p> <p>20 by the reporter.)</p> <p>21 Q. Can you answer the question?</p> <p>22 Do you have any quarrel --</p> <p>23 A. I don't know.</p> <p>24 Q. Would you agree with me that it's</p> <p>25 unreasonable to calculate the -- strike that.</p>
<p style="text-align: right;">Page 444</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Okay. Would you accept my</p> <p>3 representation that that's what you said?</p> <p>4 MR. KANE: Objection.</p> <p>5 A. Not really.</p> <p>6 Q. Okay. Well, is there any need to</p> <p>7 change the pension plan -- strike that.</p> <p>8 Is there any need to change the plan</p> <p>9 of -- the plan of adjustment on account of the</p> <p>10 potential pension risks that you cite?</p> <p>11 A. I have no perspective or point of</p> <p>12 view or opinion on changes to the plan of</p> <p>13 adjustment. That is not in my scope. It is not</p> <p>14 my task.</p> <p>15 Q. Do any of the pension risks that you</p> <p>16 cite in your report give you any pause with</p> <p>17 respect to the plan?</p> <p>18 A. The long-term risks associated with</p> <p>19 the City's pension obligations do not negatively</p> <p>20 impact my assessment for feasibility.</p> <p>21 Q. Did you look at the asset</p> <p>22 distribution for the pension funds?</p> <p>23 A. I have seen a -- I have seen a</p> <p>24 schedule that looks at the distribution of assets</p> <p>25 in the pension fund.</p>	<p style="text-align: right;">Page 446</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 There's nothing in your report that</p> <p>3 addresses -- that purports to calculate the size</p> <p>4 of the pension claim, correct?</p> <p>5 A. Correct.</p> <p>6 Q. Am I right that with respect to the</p> <p>7 risk-free rate, that you advocate -- that you</p> <p>8 cite, all you're asking for is that the -- is that</p> <p>9 a calculation be made and be disclosed, correct?</p> <p>10 A. Yes. And it's not -- it is a rate --</p> <p>11 whether it's the risk-free rate of return or some</p> <p>12 lower risk adjusted rate is not particularly</p> <p>13 critical to me in terms of my recommendation.</p> <p>14 It is that I believe that it is --</p> <p>15 that the -- using the same rate of return -- using</p> <p>16 the discount rate that is the same as the rate of</p> <p>17 return for the investment asset assumption just --</p> <p>18 does not intuitively make sense to me as a finance</p> <p>19 person.</p> <p>20 Q. Let me just understand.</p> <p>21 For you this is a disclosure issue,</p> <p>22 correct?</p> <p>23 A. It is -- it is a recommendation that</p> <p>24 I have made that it would be helpful to the City</p> <p>25 long-term to measure its long-term pension</p>

7 (Pages 443 to 446)

<p style="text-align: right;">Page 447</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 liability at a rate other than an assumed rate of</p> <p>3 return on asset investments.</p> <p>4 MR. WAGNER: Can you read back the</p> <p>5 answer.</p> <p>6 (The answer requested was read back</p> <p>7 by the reporter.)</p> <p>8 THE WITNESS: It should be invested.</p> <p>9 BY MR. WAGNER:</p> <p>10 Q. Am I right for you, this is a</p> <p>11 disclosure issue. And I turn you to Page 156 of</p> <p>12 your report.</p> <p>13 A. When you say "disclosure issue," all</p> <p>14 right --</p> <p>15 Q. What I mean is that what you want is</p> <p>16 for that rate to be calculated and disclosed?</p> <p>17 A. I want the -- yes. I want the risk</p> <p>18 levels to be -- to have the benefit of sunshine.</p> <p>19 Q. Okay. Are you aware of any public</p> <p>20 pension fund that makes that disclosure?</p> <p>21 A. As I sit here today, no.</p> <p>22 Q. Have you ever opined or given any</p> <p>23 conclusions on the proper rate of return for a</p> <p>24 public pension fund?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 449</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Yes or no?</p> <p>3 A. I don't think I ever have.</p> <p>4 Q. Does that mean you don't have a</p> <p>5 qualification to do so?</p> <p>6 A. I don't know.</p> <p>7 Q. By the way, you're not opining</p> <p>8 whether this plan discriminates unfairly or not,</p> <p>9 are you?</p> <p>10 A. Absolutely not.</p> <p>11 Q. Okay. You would not be in favor of a</p> <p>12 plan that unfairly discriminates against any</p> <p>13 class?</p> <p>14 A. It is -- it is not something I looked</p> <p>15 at. It is not part of my scope.</p> <p>16 Q. Now, explain to me why you believe</p> <p>17 that the risk-free rate -- that calculation of</p> <p>18 pension liabilities using the risk-free rate</p> <p>19 should be disclosed?</p> <p>20 A. I'm not sure that I -- the risk-free</p> <p>21 rate or a rate that is nearer a risk-free rate is</p> <p>22 what I suggested. Okay.</p> <p>23 This is a plan some day in the future</p> <p>24 that needs to be a hundred percent funded. It is</p> <p>25 frozen. There will be people, 30, 40, potentially</p>
<p style="text-align: right;">Page 448</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Have you ever served as an actuary</p> <p>3 for a public pension fund?</p> <p>4 A. No.</p> <p>5 Q. Have you had any experience in</p> <p>6 actuarial science?</p> <p>7 A. In terms of? Experience in actuarial</p> <p>8 science?</p> <p>9 Q. Yes.</p> <p>10 A. No.</p> <p>11 Q. Do you have any qualification to</p> <p>12 offer an opinion on the proper rate of return to</p> <p>13 use for a public pension fund?</p> <p>14 A. I don't think I have offered an</p> <p>15 opinion.</p> <p>16 Q. My question --</p> <p>17 MR. WAGNER: Can you read back the</p> <p>18 question.</p> <p>19 (The question requested was read back</p> <p>20 by the reporter.)</p> <p>21 A. I don't think I ever have.</p> <p>22 MR. WAGNER: Can you read it back one</p> <p>23 more time, I'm sorry.</p> <p>24 (The question requested was read back</p> <p>25 by the reporter.)</p>	<p style="text-align: right;">Page 450</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 50 years from now that will need to be paid from</p> <p>3 this plan. There is no mechanism right now that</p> <p>4 assures that this plan will ever be a hundred</p> <p>5 percent funded.</p> <p>6 Q. In your view, is the -- is there any</p> <p>7 downside to disclosing pension liabilities based</p> <p>8 on the risk-free rate?</p> <p>9 A. Any downside?</p> <p>10 Q. Yes.</p> <p>11 A. No.</p> <p>12 Q. Have you ever read anything citing</p> <p>13 downsides to disclosing the risk-free rate?</p> <p>14 A. Have I read anything? Not that I</p> <p>15 recall.</p> <p>16 Q. Has anyone ever discussed with you</p> <p>17 what the downsides are of disclosing calculation</p> <p>18 of pension liabilities based on the risk-free</p> <p>19 rate?</p> <p>20 A. Not recently, no.</p> <p>21 Q. What about not recently?</p> <p>22 A. Again, the last time I dealt with</p> <p>23 pension was a number of years ago with a frozen</p> <p>24 terminated plan with a client, so...</p> <p>25 Q. But one thing we can agree on is that</p>

8 (Pages 447 to 450)

<p style="text-align: right;">Page 451</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 nobody does it today, do they, as far as you know?</p> <p>3 A. I don't know.</p> <p>4 Q. Okay. You can't cite any public</p> <p>5 pension fund that does that, correct?</p> <p>6 A. Not -- not as I sit here today no.</p> <p>7 Q. Okay. So -- so it would be out of</p> <p>8 the mainstream for the City of Detroit to do so,</p> <p>9 correct?</p> <p>10 A. I don't know what you mean by</p> <p>11 mainstream. It would be different from others,</p> <p>12 yes.</p> <p>13 Q. And i think you cited in your report</p> <p>14 that the average rate of return -- strike that --</p> <p>15 the average target set by the largest pension</p> <p>16 funds is 7.72.</p> <p>17 Do you recall that?</p> <p>18 A. That comes from the NASRA brief.</p> <p>19 Q. Yes. So that's the rate -- that's</p> <p>20 the average rate that the largest public pension</p> <p>21 funds are using on average, correct?</p> <p>22 A. Yes.</p> <p>23 Q. And the plan provides for a rate of</p> <p>24 6.75, correct?</p> <p>25 A. Yes, it does.</p>	<p style="text-align: right;">Page 453</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 cover.</p> <p>3 Q. Do you know that -- that Richard</p> <p>4 Ravitch is very active in the Rockefeller</p> <p>5 Institute?</p> <p>6 A. I do know that.</p> <p>7 Q. Was he the one who directed you to</p> <p>8 this report?</p> <p>9 A. I don't know.</p> <p>10 Q. Am I right with respect to this issue</p> <p>11 of the risk-free rate that the Rockefeller -- the</p> <p>12 Blinken report is an outlier?</p> <p>13 A. I don't know that it's an outlier.</p> <p>14 Q. Did you make any effort to determine</p> <p>15 whether it was or not?</p> <p>16 A. I did not.</p> <p>17 Q. Can you turn to Page X-11?</p> <p>18 A. X-11, okay.</p> <p>19 Q. If you look at the -- see</p> <p>20 "Recommendations"? Do you see that?</p> <p>21 A. Yes, I do.</p> <p>22 Q. Okay. It says, "We offer the</p> <p>23 following recommendations: Pension funds and</p> <p>24 governments should value liabilities and expenses</p> <p>25 for financial reporting purposes using a discount</p>
<p style="text-align: right;">Page 452</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Okay. And that's about a hundred</p> <p>3 basis -- basis points below the 7.75, right?</p> <p>4 A. It is below the average identified in</p> <p>5 the NASRA recent brief.</p> <p>6 Q. Okay. And again, you want a rate</p> <p>7 much, much lower than 6.75 -- strike that.</p> <p>8 You want a calculation done at a rate</p> <p>9 much lower than 6.75, right?</p> <p>10 A. I want it -- I think it would behoove</p> <p>11 the City to calculate that obligation at a rate</p> <p>12 lower than 6.75, yes.</p> <p>13 MR. WAGNER: Mark this as the next</p> <p>14 exhibit.</p> <p>15 (Whereupon, Kopacz Exhibit 6 was</p> <p>16 marked at this time.)</p> <p>17 Q. Ms. Kopacz, this is the Blinken</p> <p>18 report.</p> <p>19 Do you see that?</p> <p>20 A. Yes, it is.</p> <p>21 Q. Okay. And did you read it?</p> <p>22 A. I have read -- I have read a lot of</p> <p>23 it.</p> <p>24 Q. Have you read it cover to cover?</p> <p>25 A. I don't know I've read it cover to</p>	<p style="text-align: right;">Page 454</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 rate that reflects the riskiness of expected</p> <p>3 benefit payments."</p> <p>4 Do you see that?</p> <p>5 A. I do.</p> <p>6 Q. So all the Rockefeller report is</p> <p>7 advocating, Ms. Kopacz, is disclosure of a</p> <p>8 calculation based on a risk-free rate, correct?</p> <p>9 A. I don't think that says risk-free</p> <p>10 rate. It says the riskiness of the expected</p> <p>11 benefit payment.</p> <p>12 Q. Okay. But whatever it's saying, all</p> <p>13 it's asking for is disclosure, right?</p> <p>14 A. It's -- I think it says what it says.</p> <p>15 "Pension funds and governments should value</p> <p>16 liabilities and expenses for financial reporting</p> <p>17 purposes using a discount rate that reflects it is</p> <p>18 risk necessary of expected benefit payments.</p> <p>19 Funds should also disclose projected cash flows</p> <p>20 used to calculate liabilities so that they can be</p> <p>21 discounted at alternative rates."</p> <p>22 Q. So I don't want to get into quibble</p> <p>23 over wording because there are of lots of people</p> <p>24 who want to ask questions. But am I right that</p> <p>25 this issue for the Blinken report is an issue of</p>

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<p style="text-align: right;">Page 455</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 disclosure?</p> <p>3 A. Similar to what I've said, yes.</p> <p>4 Q. Okay. And you're not aware of any</p> <p>5 public pension funds that -- public pension fund</p> <p>6 that actually calculates the level of</p> <p>7 contributions that should be made based on a</p> <p>8 risk-free rate, are you?</p> <p>9 A. I'm sorry.</p> <p>10 MR. WAGNER: Can you read it back?</p> <p>11 A. Please.</p> <p>12 Q. I told you it would be difficult to</p> <p>13 do pensions.</p> <p>14 A. No, it's okay. I can do pensions.</p> <p>15 Let's go.</p> <p>16 (Requested question was read back by</p> <p>17 the reporter.)</p> <p>18 A. I'm not aware of any as I sit here</p> <p>19 today.</p> <p>20 Q. And would it surprise you if I told</p> <p>21 you that there are none that calculate the level</p> <p>22 of contributions that should be made based on a</p> <p>23 risk-free rate?</p> <p>24 A. I -- like I said, I don't know one</p> <p>25 way or another.</p>	<p style="text-align: right;">Page 457</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Do you see that?</p> <p>3 A. I'm reading. Just a moment.</p> <p>4 Okay.</p> <p>5 Q. Are you aware of any other trade</p> <p>6 associations for public pension funds?</p> <p>7 A. I don't know.</p> <p>8 Q. Okay. I take it you didn't look at</p> <p>9 this release before you issued your report?</p> <p>10 A. Not that I recall, no.</p> <p>11 Q. Okay. And do you see in the first</p> <p>12 paragraph that the trade association representing</p> <p>13 the 500 -- over 550 public pension funds called</p> <p>14 the recommendations off the mark and impractical.</p> <p>15 Do you see that?</p> <p>16 A. The title says, "impractical and off</p> <p>17 the mark."</p> <p>18 Q. You see in the second paragraph the</p> <p>19 trade association representing 550 public pension</p> <p>20 funds states that, "It makes no real world sense</p> <p>21 to use a discount rate that is artificially low</p> <p>22 and unrelated to real investment expectations."</p> <p>23 Do you see that?</p> <p>24 A. Do you want me to read the paragraph?</p> <p>25 Q. My question is whether you see that</p>
<p style="text-align: right;">Page 456</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 MR. WAGNER: Mark this as the next</p> <p>3 exhibit.</p> <p>4 (Whereupon, Kopacz Exhibit 7 was</p> <p>5 marked at this time.)</p> <p>6 MR. ALBERTS: Just as a courtesy,</p> <p>7 when you introduce an exhibit like this that</p> <p>8 we don't have a copy, just advise what it is.</p> <p>9 MR. WAGNER: That's fine. If you</p> <p>10 want, I'll get you copies after.</p> <p>11 BY MR. WAGNER:</p> <p>12 Q. Ms. Kopacz, I put before you Exhibit</p> <p>13 8 -- 7, which is a release by the National</p> <p>14 Conference on Public Employee Retirement Systems</p> <p>15 concerning the Rockefeller report that you cite, I</p> <p>16 believe, your report.</p> <p>17 First of all, have you ever heard of</p> <p>18 this organization?</p> <p>19 A. The National Conference on Public</p> <p>20 Employee Retirement -- not specifically, no.</p> <p>21 Q. And if you turn to the last page, it</p> <p>22 states, "The National Conference is the largest</p> <p>23 trade association for public sector pension funds,</p> <p>24 representing more than 550 funds throughout the</p> <p>25 United States and Canada."</p>	<p style="text-align: right;">Page 458</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 statement.</p> <p>3 A. I see the statement.</p> <p>4 Q. Okay. And did you make any effort in</p> <p>5 preparing your report to investigate these types</p> <p>6 of criticisms of the Rockefeller report?</p> <p>7 A. I did not.</p> <p>8 Q. And I think you testified yesterday</p> <p>9 that Mr. Ravitch was a significant influence on</p> <p>10 your thinking with respect to the pension issue?</p> <p>11 A. I said Mr. Ravitch and I and my team</p> <p>12 discussed this topic with him. I also discussed</p> <p>13 it extensively with Mr. Childree.</p> <p>14 Q. And did anyone present to you the</p> <p>15 opposing point of view with respect to disclosure</p> <p>16 of the risk-free rate?</p> <p>17 A. Yes.</p> <p>18 Q. And who was that?</p> <p>19 A. Mr. Childree.</p> <p>20 Q. And what did he tell you?</p> <p>21 A. Mr. Childree, as the former</p> <p>22 comptroller of the State of Alabama, having lived</p> <p>23 through these issues, adopts what most public</p> <p>24 pension government workers have lived with for</p> <p>25 years and years and years; and that is, that you</p>

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<p style="text-align: right;">Page 459</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 discount at the same level of rate of return as</p> <p>3 the assets.</p> <p>4 Q. And Mr. Ravitch presented the</p> <p>5 opposing point of view?</p> <p>6 A. He did.</p> <p>7 Q. Now, you referred yesterday to GASB?</p> <p>8 A. Yes.</p> <p>9 Q. What is GASB?</p> <p>10 A. The general -- the Government</p> <p>11 Accounting Standards Board.</p> <p>12 Q. And is that an authoritative standard</p> <p>13 in the field of government accounting?</p> <p>14 A. It is.</p> <p>15 Q. And is it -- is it an authoritative</p> <p>16 standard in the field of public pension funds?</p> <p>17 A. That I don't know.</p> <p>18 Q. Did anyone ever tell that you GASB</p> <p>19 considered and rejected the disclosure of a</p> <p>20 risk-free rate?</p> <p>21 A. I know that, yes, I do.</p> <p>22 Q. Did you cite that in your report?</p> <p>23 A. I referenced the GASB -- the new GASB</p> <p>24 reporting standards. Yes, I did.</p> <p>25 Q. But you left this particular piece</p>	<p style="text-align: right;">Page 461</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. For the City of Detroit, yes.</p> <p>3 Q. Okay.</p> <p>4 A. We're in 2014 today right now, it's</p> <p>5 July 2014. The City's fiscal year started July</p> <p>6 1st, 2014.</p> <p>7 MR. WAGNER: Let's mark this as the</p> <p>8 next exhibit.</p> <p>9 (Whereupon, Kopacz Exhibit 8 was</p> <p>10 marked at this time.)</p> <p>11 BY MR. WAGNER:</p> <p>12 Q. Have you seen this release before?</p> <p>13 A. Not for a long time.</p> <p>14 Q. So you've seen it before?</p> <p>15 A. I have. I -- I probably saw it about</p> <p>16 the time that it was released.</p> <p>17 Q. Okay. At the bottom, the government</p> <p>18 -- this is a Government Accounting Standards Board</p> <p>19 news release, June 25, 2012, states at the bottom,</p> <p>20 "The rate used to discount projected benefit</p> <p>21 payments to their present value will be based on a</p> <p>22 single rate that reflects, A, the long-term</p> <p>23 expected rate of return on plan investments as</p> <p>24 long as the plan net position is projected under</p> <p>25 specific conditions to be sufficient to pay</p>
<p style="text-align: right;">Page 460</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 out of your report; did you not?</p> <p>3 A. What they considered as getting to</p> <p>4 their promulgation was not germane to my report.</p> <p>5 Q. But their promulgation was to use one</p> <p>6 rate; isn't that correct?</p> <p>7 A. That is what they have said, yes.</p> <p>8 Q. And you didn't put that in your</p> <p>9 report, did you?</p> <p>10 A. I didn't recite the -- I gave the</p> <p>11 standards. I referenced the standards. I didn't</p> <p>12 repeat what the standards said.</p> <p>13 Q. You also noted that the GASB standard</p> <p>14 was effective in fiscal year 2015.</p> <p>15 Do you recall that?</p> <p>16 A. It is effective now, as we -- for</p> <p>17 this year.</p> <p>18 Q. So that was a mistake in your report,</p> <p>19 was it not, as to when it is effective?</p> <p>20 A. It -- you know what, it may be an</p> <p>21 error between fiscal and calendar.</p> <p>22 Q. Well, we're not in fiscal 2015, are</p> <p>23 we?</p> <p>24 A. Yes.</p> <p>25 Q. We're in fiscal 2015?</p>	<p style="text-align: right;">Page 462</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 pensions of current employees and retirees and the</p> <p>3 pension plan assets are expected to be invested</p> <p>4 using a strategy to achieve that return..." I'll</p> <p>5 skip the B.</p> <p>6 But do you see that?</p> <p>7 A. I think the B is important.</p> <p>8 Q. Okay. My only question is whether</p> <p>9 you see this provision.</p> <p>10 A. I see -- I see this provision.</p> <p>11 Q. And am I right that under these</p> <p>12 conditions GASB recommends using a single rate?</p> <p>13 A. As long as the plan net position is</p> <p>14 projected under specific conditions -- conditions</p> <p>15 talk sufficient to pay pensions of current</p> <p>16 employees and retirees and the pension plan assets</p> <p>17 are expected to be invested using a strategy to --</p> <p>18 to achieve that return.</p> <p>19 Q. Okay.</p> <p>20 A. And B, a yield or index rate on tax</p> <p>21 exempt 20-year AA or higher rated municipal bonds</p> <p>22 to the extent that the conditions for use of the</p> <p>23 long-term expected rate of return are not met."</p> <p>24 Q. So assuming those conditions are met,</p> <p>25 GASB recommends using a single rate, correct?</p>

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<p style="text-align: right;">Page 463</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. Correct.</p> <p>3 Q. And that is --</p> <p>4 A. I don't believe those provisions are</p> <p>5 met in the forecast of the Detroit pension plan.</p> <p>6 Q. Well, we'll leave that to the pension</p> <p>7 experts, because you are not a pension expert.</p> <p>8 A. I am not a pension expert.</p> <p>9 Q. Okay. So we'll leave that to the</p> <p>10 experts.</p> <p>11 But the standard is under those</p> <p>12 conditions use of a single rate, correct?</p> <p>13 A. Or, B, a yield or index rate on tax</p> <p>14 exempt 20-year AA or higher municipal rated bonds</p> <p>15 to the extent that the conditions for use of the</p> <p>16 long-term expected rate of return are not met."</p> <p>17 Q. Am I right that if those conditions</p> <p>18 are met, GASB recommends using a single rate?</p> <p>19 A. Or a yield on the index of municipal</p> <p>20 AA or higher bonds.</p> <p>21 MR. WAGNER: Let's mark this as the</p> <p>22 next exhibit. This is Exhibit 9.</p> <p>23 (Whereupon, Kopacz Exhibit 9 was</p> <p>24 marked at this time.)</p> <p>25 BY MR. WAGNER:</p>	<p style="text-align: right;">Page 465</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Did anyone ever tell you that one of</p> <p>3 the downsides to disclosing the risk-free rate is</p> <p>4 it could lead to liability-driven investing?</p> <p>5 A. I don't understand that phrase.</p> <p>6 Q. So that was not something you came</p> <p>7 across in your work on this case?</p> <p>8 A. No.</p> <p>9 Q. Did anyone ever tell you that</p> <p>10 disclosing the risk-free rate could lead to</p> <p>11 improperly -- could lead to over burdening current</p> <p>12 taxpayers?</p> <p>13 A. I don't -- no.</p> <p>14 Q. Did anyone ever tell you that using</p> <p>15 or disclosing the risk-free rate could lead to</p> <p>16 cutbacks with respect to pension benefits?</p> <p>17 A. No.</p> <p>18 Q. Now, you state in your report that</p> <p>19 the 6.75 rate was heavily negotiated.</p> <p>20 Do you recall that?</p> <p>21 A. Yes.</p> <p>22 Q. What's the basis for that statement?</p> <p>23 A. Conversations with various</p> <p>24 stakeholders in this case.</p> <p>25 Q. What did they tell you?</p>
<p style="text-align: right;">Page 464</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Have you -- seen Exhibit 9 is the</p> <p>3 GASB Statement Number 67.</p> <p>4 Do you see that?</p> <p>5 A. It is.</p> <p>6 Q. Have you seen it before?</p> <p>7 A. I have not seen the full standard,</p> <p>8 no.</p> <p>9 Q. Okay. Can you turn to Page 19.</p> <p>10 And can you read 40, and can you</p> <p>11 agree with me that sets out the same standard we</p> <p>12 saw in the release?</p> <p>13 A. Yes. What this basically says is</p> <p>14 that under the assumption that you have a funded</p> <p>15 pension plan, then the rate of return on the</p> <p>16 pension plan investments is the rate to use or the</p> <p>17 yield on the 20-year tax exempt muni bonds.</p> <p>18 Q. Okay. We can put that aside for now.</p> <p>19 A. Well, I mean it's really important.</p> <p>20 Q. Well, I'm not -- there's no question</p> <p>21 pending.</p> <p>22 A. Between whether it's a funded or</p> <p>23 unfunded plan.</p> <p>24 Q. Okay. We will leave that to the</p> <p>25 pension experts.</p>	<p style="text-align: right;">Page 466</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. That the 6.75 was a heavily</p> <p>3 negotiated rate.</p> <p>4 Q. You agree that it's lower than</p> <p>5 historical rates that the PFRS and GRS have used,</p> <p>6 right?</p> <p>7 A. Yes.</p> <p>8 Q. And it's lower than recent investment</p> <p>9 runs?</p> <p>10 A. That's correct.</p> <p>11 Q. Would you have -- and you agree it's</p> <p>12 lower relative to peers?</p> <p>13 A. Yes.</p> <p>14 Q. I think you cite in your report that</p> <p>15 peers are setting rates at 7.72, right?</p> <p>16 A. That's what the NASRA report says.</p> <p>17 Q. Okay. And the NASRA report also</p> <p>18 reports that rates over the -- returns over the</p> <p>19 last 25 years have exceeded 9 percent, right?</p> <p>20 A. I don't know. I'd have to go back</p> <p>21 and look at it again.</p> <p>22 Q. That was the point I -- the note I</p> <p>23 pointed out this morning.</p> <p>24 A. Do you want to look at it again?</p> <p>25 Q. It's up to you. You can look at it</p>

12 (Pages 463 to 466)

<p style="text-align: right;">Page 467</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 again. The left side of the page, first page.</p> <p>3 A. Yes. I think 10 years it's been 7;</p> <p>4 20 years it's been 8.2; and 25 years it's been 9.</p> <p>5 Q. And there are few -- there are few</p> <p>6 major government-sponsored pension plans that use</p> <p>7 a rate lower than 6.75, correct?</p> <p>8 A. There are some, yes.</p> <p>9 Q. Well, there are few?</p> <p>10 A. Yes, on this list.</p> <p>11 Q. Well, you also note in your report</p> <p>12 that there are few.</p> <p>13 A. Yes.</p> <p>14 Q. When you -- when you recommended</p> <p>15 disclosure of the risk-free rate, did you believe</p> <p>16 that there were any downsides to disclosing that</p> <p>17 rate?</p> <p>18 A. No.</p> <p>19 Q. When you say the 6.75 was heavily</p> <p>20 negotiated, would you have -- would you -- do you</p> <p>21 have a view as to whether the rate should have</p> <p>22 been set based on an actuarial calculation as</p> <p>23 opposed to being heavily negotiated?</p> <p>24 A. I have no view on that.</p> <p>25 Q. You just accepted what was presented</p>	<p style="text-align: right;">Page 469</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 favorably to feasibility, okay, in my assessment,</p> <p>3 it also presents a long-term risk to the City.</p> <p>4 Q. Did you -- strike that.</p> <p>5 You're not saying that any of the</p> <p>6 pension funds' investments are risky, are you?</p> <p>7 A. I -- in order to achieve the rates of</p> <p>8 return that are projected, that either 6.7 or the</p> <p>9 11, you have to have volatility which means you</p> <p>10 have to have some level of risk in return.</p> <p>11 Q. Have you looked at the -- well, are</p> <p>12 there specific investments that you believe the</p> <p>13 pension funds have made that are risky?</p> <p>14 A. I -- at this point, I -- I don't have</p> <p>15 that information in front of me.</p> <p>16 Q. Do you have anything -- do you have</p> <p>17 any information reflecting negatively on the</p> <p>18 pension advisors to the City?</p> <p>19 A. The current pension advisors?</p> <p>20 Q. Yes.</p> <p>21 A. That I'm not aware of. They're</p> <p>22 different than the past advisors.</p> <p>23 Q. Just a few more questions.</p> <p>24 Are you aware of any information</p> <p>25 indicating that the trustees of the pension funds</p>
<p style="text-align: right;">Page 468</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 to you?</p> <p>3 A. Yes.</p> <p>4 Q. Now, you stated in your report that</p> <p>5 you want the City to provide stewardship on this</p> <p>6 issue.</p> <p>7 Do you recall that?</p> <p>8 A. I said it is an opportunity for the</p> <p>9 City to provide stewardship.</p> <p>10 Q. What did you mean by that?</p> <p>11 A. Just because everybody does it a</p> <p>12 certain way doesn't make it right, doesn't make it</p> <p>13 prudent. And I don't believe information is good</p> <p>14 or bad, it simply is. And I think this data</p> <p>15 point, given what the City has been through with</p> <p>16 its -- its underfunding of its pensions, its</p> <p>17 borrowing money to fund pensions, I think</p> <p>18 disclosure and sunshine would be a very good thing</p> <p>19 for the City going forward so that it doesn't get</p> <p>20 in these kinds of difficulties again.</p> <p>21 Q. Again, this is, for you, it's a</p> <p>22 disclosure issue, right?</p> <p>23 A. It is a disclosure issue. And the</p> <p>24 reality is plans are going to be less funded over</p> <p>25 the next ten years. Now while that relates very</p>	<p style="text-align: right;">Page 470</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 have breached their fiduciary duties?</p> <p>3 A. The new trustees?</p> <p>4 Q. Any trustees?</p> <p>5 A. My recollection is that there are</p> <p>6 some pending legal actions against former</p> <p>7 trustees.</p> <p>8 Q. What about the current trustees?</p> <p>9 A. That I'm not aware of, no.</p> <p>10 Q. You also note on Page 128 that the</p> <p>11 value of UAAL is 3.5 billion.</p> <p>12 A. What page?</p> <p>13 Q. Page 128.</p> <p>14 A. Yes.</p> <p>15 Q. Okay. Are you aware that the plan</p> <p>16 sets the amount at 3.1 billion?</p> <p>17 A. I am referencing a specific point in</p> <p>18 time and a specific calculation by Milliman in</p> <p>19 2013.</p> <p>20 Q. I'm right -- just a few more</p> <p>21 questions.</p> <p>22 I'm right that most participants in</p> <p>23 the pension plan have already retired. Page 126.</p> <p>24 A. Yes.</p> <p>25 Q. Do you know what percentage of</p>

13 (Pages 467 to 470)

<p style="text-align: right;">Page 471</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 retirees live in the City of Detroit?</p> <p>3 A. I do not.</p> <p>4 Q. Is that relevant to you?</p> <p>5 A. It is not.</p> <p>6 Q. On Page 128 and 129 you cite ASF, the</p> <p>7 ASF issue.</p> <p>8 Do you see that?</p> <p>9 A. I do.</p> <p>10 Q. What's your understanding of that</p> <p>11 issue?</p> <p>12 A. In what sense?</p> <p>13 Q. Well, you reference 387 million of</p> <p>14 excess investment earnings credited to the annual</p> <p>15 savings funds.</p> <p>16 Do you see that?</p> <p>17 A. This is -- this is a -- this is taken</p> <p>18 from Mr. Moore's declaration.</p> <p>19 Q. Okay. Do you understand what the ASF</p> <p>20 issue is?</p> <p>21 A. I do.</p> <p>22 Q. Okay. And you understand that this</p> <p>23 387 million was -- shouldn't have been paid out?</p> <p>24 MS. GREEN: Object to form.</p> <p>25 MR. ALBERTS: Objection.</p>	<p style="text-align: right;">Page 473</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 not offering any conclusion as to whether the City</p> <p>3 has properly calculated the size of the pension</p> <p>4 claim, correct?</p> <p>5 A. Correct.</p> <p>6 Q. And am I also right that you haven't</p> <p>7 done any due diligence with respect to the pension</p> <p>8 funds asset allocations?</p> <p>9 A. Correct.</p> <p>10 MR. WAGNER: Nothing further.</p> <p>11</p> <p>12 EXAMINATION BY MR. NEAL:</p> <p>13 Q. Good morning, Ms. Kopacz.</p> <p>14 A. Good morning, Mr. Neal.</p> <p>15 Q. I prefer to question you in a witness</p> <p>16 box, like we did in April. But this will -- this</p> <p>17 will do for now.</p> <p>18 At the outset, just a brief apology.</p> <p>19 I was defending a deposition of my client</p> <p>20 yesterday. I had the opportunity to read the</p> <p>21 draft of the transcript from yesterday and I</p> <p>22 intend not to repeat anything, number one.</p> <p>23 Number two, my questions are going to</p> <p>24 relate almost entirely to DWSD, okay?</p> <p>25 A. Okay.</p>
<p style="text-align: right;">Page 472</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 BY MR. WAGNER:</p> <p>3 Q. You can answer.</p> <p>4 A. I understand there's a dispute --</p> <p>5 Q. Okay.</p> <p>6 A. -- over the ASF.</p> <p>7 Q. Right. And you understand that that</p> <p>8 387 million shouldn't be part of the pension</p> <p>9 claim?</p> <p>10 MR. ALBERTS: Objection.</p> <p>11 MS. GREEN: Objection.</p> <p>12 A. I don't know.</p> <p>13 MR. WAGNER: All right. Why don't we</p> <p>14 take a couple-minute break. I may be done.</p> <p>15 THE VIDEOGRAPHER: Time now is</p> <p>16 approximately 10:00 a.m. We're going off the</p> <p>17 record.</p> <p>18 (Whereupon, there was a brief recess</p> <p>19 in the proceedings.)</p> <p>20 THE VIDEOGRAPHER: The time is</p> <p>21 10:11 a.m. We're back on the record.</p> <p>22 BY MR. WAGNER:</p> <p>23 Q. Ms. Kopacz, just you couple of more</p> <p>24 questions.</p> <p>25 I'm right that you're not -- you're</p>	<p style="text-align: right;">Page 474</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. And I have a couple of preliminaries</p> <p>3 that you may have covered, but these preliminaries</p> <p>4 will last about five minutes' time, so if you</p> <p>5 could indulge me.</p> <p>6 A. Sure.</p> <p>7 Q. So I want to confirm that the</p> <p>8 documents and the sources that are listed in</p> <p>9 Exhibit 2 of your report and meetings and the</p> <p>10 communications that are listed in Exhibit 3,</p> <p>11 reflect all the materials or interviews on which</p> <p>12 you relied upon in preparing your report?</p> <p>13 A. That is the intent of Exhibit 2. I</p> <p>14 believe that is correct.</p> <p>15 Q. Is that also the intent of Exhibit 3</p> <p>16 which relates to the communications?</p> <p>17 A. No. The communications log -- and</p> <p>18 again, there was some question amongst my team as</p> <p>19 to whether the judge's requirement only related to</p> <p>20 my communications or to my entire team's</p> <p>21 communications. In an abundance of caution, we</p> <p>22 did everybody's communications.</p> <p>23 So -- and I would -- I would say we</p> <p>24 strived to get it as current and accurate and</p> <p>25 timely as we could.</p>

14 (Pages 471 to 474)



<p style="text-align: right;">Page 475</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. And in looking at Exhibit 2, am I</p> <p>3 correct that you did not rely upon any of the</p> <p>4 objections to the plan of adjustment that were</p> <p>5 filed by the objectors in the case?</p> <p>6 A. That's correct.</p> <p>7 Q. And in looking at Exhibit 2, am I</p> <p>8 correct in saying that you didn't rely upon any of</p> <p>9 the fact or expert witness depositions, the</p> <p>10 transcripts that have been taken in the past</p> <p>11 several weeks?</p> <p>12 A. I've read nothing.</p> <p>13 Q. And the only depositions that are</p> <p>14 reflected in Exhibit 2 were the ones that were</p> <p>15 taken in -- in different disputes such as</p> <p>16 eligibility or swaps; is that right?</p> <p>17 A. Correct.</p> <p>18 Q. In terms of the DWSD management and</p> <p>19 consultants, so you did not read the deposition</p> <p>20 transcripts of Sue McCormack, the CEO or director</p> <p>21 of DWSD; Cheryl Porter, the COO or Nicolette --</p> <p>22 The first name is Sue McCormack, the</p> <p>23 CEO or director of DWSD; Cheryl Porter, the COO of</p> <p>24 DWSD; Nicolette Bateson, CFO of DWSD; or Bart</p> <p>25 Foster or any consultants of DWSD?</p>	<p style="text-align: right;">Page 477</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 of adjustment.</p> <p>3 Q. Now, when you say in your prior</p> <p>4 answer you spoke to finance people at the City.</p> <p>5 A. Yes.</p> <p>6 Q. Who would those individuals include?</p> <p>7 I'm not looking for an exhaustive list.</p> <p>8 A. It would be the CFO. It would be the</p> <p>9 -- Pam Scales, the budget director in terms of how</p> <p>10 DSD and the City relate to one another. Speaking</p> <p>11 also with -- with people on the -- the mayor's</p> <p>12 staff.</p> <p>13 Q. Okay. So not just the emergency</p> <p>14 manager and his professional advisors?</p> <p>15 A. Oh, no. Oh, no.</p> <p>16 Q. Okay.</p> <p>17 A. Right.</p> <p>18 Q. And going back to Exhibit 2 to your</p> <p>19 expert report, am I correct in observing that the</p> <p>20 only expert reports upon which you relied were</p> <p>21 those of the City experts?</p> <p>22 And I can point you to them. Exhibit</p> <p>23 2, lines 46 through 49, 51 through 55.</p> <p>24 A. Yes. These are in terms of -- of --</p> <p>25 the reason that they're here is there are various</p>
<p style="text-align: right;">Page 476</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. That's correct.</p> <p>3 Q. Now, have you ever -- have you or</p> <p>4 your team members ever have any communications</p> <p>5 with those individuals?</p> <p>6 A. No, not to my knowledge.</p> <p>7 Q. Is there a reason why neither you nor</p> <p>8 anyone from your team spoke to DWSD management?</p> <p>9 A. Yes. The -- originally DWSD was on</p> <p>10 my to-do list, okay. I spoke with counsel to the</p> <p>11 bondholders, some of the bondholders on DWSD,</p> <p>12 okay, and I got an understanding of the issues.</p> <p>13 Obviously I'd read the plan of adjustment and the</p> <p>14 proposed treatment of the DWSD bonds.</p> <p>15 I then had and my team had</p> <p>16 discussions with finance people at the City on</p> <p>17 DWSD in terms of the enterprise nature of the</p> <p>18 fund. I read various early on pleadings as it</p> <p>19 related to DWSD. And at the point in time where I</p> <p>20 realized that the interplay between my feasibility</p> <p>21 assessment and DWSD was related to the</p> <p>22 \$428 million of pension funding, the transfer,</p> <p>23 that -- again, because the -- that's what I had to</p> <p>24 focus on relative to DWSD. And that is simply</p> <p>25 a -- a source of funding for execution of the plan</p>	<p style="text-align: right;">Page 478</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 assumptions, for example, in Mr. Buckfire's report</p> <p>3 in terms of exit financing, I'm relying on his</p> <p>4 representation of obtaining exit financing.</p> <p>5 For people like Beth Niblock and John</p> <p>6 Hill, those are included because we have cited</p> <p>7 either factual comments that they've made about</p> <p>8 the state of the IT systems or in the case of John</p> <p>9 Hill, what he is intending to do to fix the</p> <p>10 accounting and the IT systems.</p> <p>11 So... but, yes, those are -- whatever</p> <p>12 is here is what's included somewhere in the</p> <p>13 report.</p> <p>14 Q. Your expert report was served on July</p> <p>15 18, correct?</p> <p>16 A. I believe that's correct, yeah.</p> <p>17 Q. I want to talk about relatively</p> <p>18 current events. So between July 18th and today,</p> <p>19 August 1st, the objectors had their respective</p> <p>20 deadline or deadlines as it relates to serving</p> <p>21 their expert reports.</p> <p>22 Have you had an opportunity to review</p> <p>23 any of those?</p> <p>24 A. Not yet.</p> <p>25 Q. Do you intend to review them?</p>

15 (Pages 475 to 478)

- MARTI KOPACZ - VOLUME II-

A. Yes.

Q. If any of those reports inform or alter your opinion, do you intend to supplement your expert report?

A. Yes.

Q. To the extent you don't supplement your expert report, would that be, in essence, an acknowledgment that the expert reports of the objectors have not altered or informed your opinion?

A. I don't know because I'm still -- remember, I'm still waiting on information from the City.

Q. Yes.

A. Right? So...

Q. And that's reflected in Exhibit 4 of your report, correct?

A. Correct.

Q. Now, is this -- does Exhibit 4 reflect information that you believe may be material? Let me phrase the question differently.

Is it reflective of all of your outstanding requests or did you just intend to provide a list of what is important to you?

- MARTI KOPACZ - VOLUME II-

A. This is -- in terms of the -- the formal process we had with the City, okay, this was the open request list as of the date of my report. Okay. There are -- there is information that I received shortly before I completed my report that I have not yet reviewed; the collective bargaining agreements we talked about yesterday.

So there are -- again, I did not have the time to do an adequate review job on that so I didn't do it. And so there's -- there's information here that I would still like to receive and there is information that I have received that I have not yet reviewed.

Q. So at one time you had a much larger, I would imagine, request list for the City and you've been checking off boxes; is that right?

A. Yes.

Q. More or less?

A. It was -- it was a dynamic list in that things got added, things got taken off as they got supplied.

Q. And by the time it came to serve your report on the 18th, you had a few open request

- MARTI KOPACZ - VOLUME II-

lists and these --

A. Yes.

Q. -- as reflected on Exhibit 4, are those open requests?

A. Yes.

Q. They're not prioritized in any way?

A. No.

Q. Okay.

A. No.

Q. Do you anticipate looking at any additional materials?

Let's just go back to July 18th, starting with that point. Do you anticipate looking at additional materials as they relate to the DWSD, its operations, its capital expenditures, its debt, its future cash flows?

A. I don't know.

Q. Sitting here today, have you done that in the past week and a half?

A. I have not.

Q. Do you intend to do it in the next week and a half?

A. I don't know.

Q. Now, in preparing your report, there

- MARTI KOPACZ - VOLUME II-

are several instances in which you cite to either information provided by or discussions you've had with Miller Buckfire, in specific Ken Buckfire and his investment bankers; is that right?

A. Yes.

Q. I don't want this to be a memory test, I can give you the page numbers if it will help you. But I know in one instance and perhaps more than one, I shouldn't say one, that you spoke with Mr. Buckfire and his team about exit financing; is that right?

A. That's correct.

Q. You also spoke to Mr. Buckfire and his team about the City's access to capital markets post -- post emergence?

A. Yes.

Q. And you spoke to Mr. Buckfire and his team about the monetization of certain assets including DWSD, right?

A. Yes.

Q. There was one other instance that involves Wayne County property tax matters and I'm not going to go into that, I promise you.

Let's just go and focus on exit

<p style="text-align: right;">Page 483</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 financing, if we could.</p> <p>3 First, did you have any</p> <p>4 communications with Mr. Buckfire, any members of</p> <p>5 his team regarding the DWSD's need or anticipated</p> <p>6 need to access the capital market in the future?</p> <p>7 A. I don't recall a specific</p> <p>8 conversation related to DWSD's capital market</p> <p>9 access.</p> <p>10 Q. Did you speak with anybody, at any</p> <p>11 time during your engagement, about DWSD's need or</p> <p>12 anticipated need to access the capital markets?</p> <p>13 A. Again, I think it may have been part</p> <p>14 of the general conversation, but I don't recall --</p> <p>15 I don't recall a specific response.</p> <p>16 Q. Sorry. What do you mean by</p> <p>17 "response"?</p> <p>18 A. Well, the conversation that I had</p> <p>19 with Mr. Buckfire and his team, with Mr. Doak and</p> <p>20 a variety of associates. We talked about a lot of</p> <p>21 things in terms of exit financing and access to</p> <p>22 capital markets. We also talked about DWSD and</p> <p>23 the monetization of DWSD.</p> <p>24 Q. Okay.</p> <p>25 A. And I'm not sure that those two</p>	<p style="text-align: right;">Page 485</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 information packages that they were sending out to</p> <p>3 various potential funding sources. And that --</p> <p>4 you know, he would -- he did not give me any</p> <p>5 specific lenders that he was talking to. I didn't</p> <p>6 necessarily ask him for those, either. But he</p> <p>7 said there was interest, they had been working on</p> <p>8 it and he was highly confident that they were</p> <p>9 going to be able to place the exit finance.</p> <p>10 Q. When did you have these</p> <p>11 conversations?</p> <p>12 A. It should be in my log. It was --</p> <p>13 probably sometime in July.</p> <p>14 Q. Ms. Kopacz, I'm not looking for the</p> <p>15 exact date --</p> <p>16 A. It was -- it was -- it was within the</p> <p>17 -- I don't think it was the week before. I think</p> <p>18 it may have been like the second week -- it was</p> <p>19 after the 4th.</p> <p>20 Q. Okay. Very good.</p> <p>21 (Technical interruption.)</p> <p>22 THE VIDEOGRAPHER: The time now is</p> <p>23 approximately 10:34 a.m. We're back on the</p> <p>24 record. This is the beginning of Disk</p> <p>25 Number 2.</p>
<p style="text-align: right;">Page 484</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 topics intersect because I don't remember a</p> <p>3 specific conversation about it.</p> <p>4 Q. Fair enough. Let me give you an</p> <p>5 example.</p> <p>6 Others have testified in this case</p> <p>7 about DWSD's plan to access the capital markets</p> <p>8 for about \$150 million worth of new sewer</p> <p>9 financing for capital improvements.</p> <p>10 A. Okay.</p> <p>11 Q. Have you been involved in that</p> <p>12 process?</p> <p>13 A. I have not.</p> <p>14 Q. Have you had any conversations with</p> <p>15 anyone affiliated with the City, including DWSD,</p> <p>16 about that process?</p> <p>17 A. No.</p> <p>18 Q. Okay. Going back to accessing</p> <p>19 capital markets and the exit financing, can you</p> <p>20 just describe generally to me your conversations</p> <p>21 with the Miller Buckfire team about -- about their</p> <p>22 interaction with the capital markets and their</p> <p>23 effort to obtain exit financing?</p> <p>24 A. My conversation with Mr. Buckfire, we</p> <p>25 talked about -- he supplied me with the</p>	<p style="text-align: right;">Page 486</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 BY MR. NEAL:</p> <p>3 Q. Ms. Kopacz, there was a small</p> <p>4 technical glitch. I'm going to repeat one</p> <p>5 question or come close to repeating it.</p> <p>6 And that is, I'm not looking for an</p> <p>7 exact date when you had these discussions about</p> <p>8 exit financing with Miller Buckfire, I'm looking</p> <p>9 for the general time period.</p> <p>10 A. I had a few -- I mean, really a few,</p> <p>11 two or three conversations with Ken or Jim Doak,</p> <p>12 over the course of my assessment and I know there</p> <p>13 was -- and like I said, I believe there was either</p> <p>14 a call or e-mail exchange because it was on my</p> <p>15 white board to check on exit financing and I did</p> <p>16 that within a week or so of issuing my report.</p> <p>17 Q. Were any individuals involved in</p> <p>18 those discussions other than you and your team,</p> <p>19 and the individuals you identified at Miller</p> <p>20 Buckfire?</p> <p>21 A. Not involved -- at about that time, I</p> <p>22 also had -- Mr. Ravitch had met with Mr. Buckfire</p> <p>23 and shared with me that he had had the same</p> <p>24 conversation, in essence, that I had had; that</p> <p>25 Mr. Buckfire was confident he was going to raise</p>

17 (Pages 483 to 486)

1 - MARTI KOPACZ - VOLUME II-  
2 the 300 million at 6 percent. And the question  
3 was really whether or not that would be raised as  
4 a -- as a secured type of borrowing or unsecured.

5 Q. Now, is this a meeting that -- that  
6 included Mr. Ravitch?

7 A. Mr. Ravitch had his own meetings and  
8 he just reported to me at about that same time.

9 Q. And what did he report to you about  
10 the exit financing?

11 A. That Mr. Buckfire had represented  
12 that he was going to get the exit financing and  
13 that, you know, he thought -- he still thought it  
14 was going to be around the 6 rate.

15 I had been watching high-yield muni  
16 rates and thought it might be a little higher than  
17 that and there was still an open question as to  
18 whether or not you'd have to pledge whether it  
19 would have to be secured with tax revenue or not.

20 Q. Did Mr. Ravitch express any views or  
21 opinions to you on this issue, the City's efforts  
22 to obtain exit financing?

23 A. No.

24 Q. Did he express any views or opinions  
25 to you as to what the anticipated or assumed

1 - MARTI KOPACZ - VOLUME II-  
2 effort to obtain exit financing?

3 A. No.

4 Q. Did you discuss with anyone at the  
5 Michigan Finance Authority?

6 A. I did not.

7 Q. There is a consultant -- I'll  
8 represent to you there's a consultant engaged by  
9 both the DWSD and the City -- excuse me, both the  
10 DWSD and the state, his name is Lee Donner of the  
11 First Southwest Company.

12 Did you speak with Mr. Donner?

13 A. I did not.

14 Q. Did you have any discussions with  
15 Mr. Buckfire about his views of the -- of the  
16 credit ratings that the City would receive  
17 post-emergence from Chapter 9?

18 A. No.

19 Q. Any conversation as to whether the  
20 City's debt or series of debt would be above  
21 investment grade or below investment grade upon  
22 emergence?

23 A. No.

24 Q. You do state, and I think you  
25 repeated it accurately a few minutes ago, on Page

1 - MARTI KOPACZ - VOLUME II-  
2 interest rate would be?

3 A. No.

4 Q. What exactly did you talk about with  
5 Mr. Ravitch on the exit financing issue?

6 A. We were -- we were sitting in our  
7 office a couple of days before the report was  
8 issued. I had asked Mr. Ravitch to please review  
9 the pension section and the post-confirmation  
10 issue section -- the post-confirmation oversight  
11 issues. And we were sitting in my office in New  
12 York which has a white board and there were the  
13 open issues list of things that I needed to check  
14 on and exit financing was there.

15 And he said, oh, by the way, I talked  
16 to -- I had breakfast or lunch or whatever, and  
17 had a conversation with Buckfire.

18 Q. How many conversations have you had  
19 with Mr. Ravitch about the exit financing?

20 A. I think that may have been the only  
21 one.

22 Q. Did you discuss with -- let me make  
23 sure I've closed the loop.

24 Did you have any conversations with  
25 anyone from the State of Michigan about the City's

1 - MARTI KOPACZ - VOLUME II-  
2 90, that, "As of the date of this report it  
3 appears that the assumed interest rate of 6  
4 percent could be low for a high-yield instrument  
5 like the proposed exit financing."

6 Do you see that?

7 A. I do.

8 Q. And what is that based on?

9 A. We have been monitoring just  
10 high-yield muni bonds to see at what pricing  
11 they're selling at. And recently, you know,  
12 again, the -- the biggest issue that's come off  
13 during pendency of this case are the Puerto Rico  
14 bonds and they've been more in the 8 to 9 range.

15 There have been -- there have been a  
16 lot of issuances in around the high 5s.

17 So again, the -- what's important to  
18 my assessment of feasibility is whether or not the  
19 City gets the exit financing. It's less important  
20 to the feasibility assessment what the interest  
21 rate is. I mean, unless it's 15.

22 Q. Sure.

23 A. Right. So...

24 Q. So let's play that out little a  
25 little bit.

- MARTI KOPACZ - VOLUME II-

A. Okay.

Q. So whether it's 6.5 percent or 7 percent is not necessarily material to your opinion in your report?

A. Correct.

Q. Did you speak to any underwriters, anyone on the buy side, any capital market participants about the City's efforts to obtain exit financing?

A. I did not.

Q. Did you do anything other than what you've already testified today to test the assumptions that the City can obtain exit financing at about the 6 percent interest rate?

A. I did not.

Q. I want to switch gears a little bit and talk to you about your conversations with Miller Buckfire about the City's efforts to monetize the DWSD assets.

Can you describe those conversations to me?

A. Very brief. The meeting that I had with Ken and his team in June, we talked about DWSD. He was of the viewpoint then that there was

- MARTI KOPACZ - VOLUME II-

not going to be a transaction associated with DWSD and that was kind of the sum total of the conversation.

Q. So a couple of short conversations would be accurate?

A. You know what, I'm sure when I initially met with Ken at the beginning of the case, and he gave me his background in terms of how he got involved and what he was focused on, and -- and I remember at that point in time he said he did not envision something happening with the DWSD assets.

And then, obviously, during the pendency of my assignment, the judge ordered the parties back to mediation on that. And I met with him, I think shortly after that happened or about the same time, and he said he still didn't envision anything happening.

And once again, you know, for me, DWSD became only an issue of the pension funding.

Q. I want to broaden the question to include any representatives from Conway Mackenzie on this issue of monetization.

A. No, no conversations.

- MARTI KOPACZ - VOLUME II-

Q. Did Mr. Buckfire give you are a download, so to speak, of his negotiations with the counties about the formation of a regional authority?

A. No.

Q. Did you have any understanding of the to'ing and fro'ing, so to speak, between the City and the counties in 2013 and 2014?

A. Tiny. Tiny understanding -- tiny.

Q. The issue of whether or not an authority is created, I take it that's not material to your opinion that the plan is feasible under your definition?

A. It isn't because my task was to assess the plan as it stands. So, again, as people have raised the issue of DWSD, while I think it is -- would be a fascinating issue to look at, in the spirit of what my task is and how long I had to do it, it was just not something that I could -- I could consciously justify spending time on.

Q. Going back, I'll just briefly on the issue of exit financing.

In your report, I think it's

- MARTI KOPACZ - VOLUME II-

Section O, Page 192, you identify that as a risk.

Is that fair to say?

A. 192. Risks -- these are other risks and opportunities section. Right.

Q. Yes.

A. Yes.

Q. You have a subsection called, "Access to Capital Markets." I believe that's Page 195.

A. Uh-huh.

Q. So that is an identified risk of yours in your report, correct?

A. It is.

Q. Other than what you told me about your conversation with Mr. Ravitch, is that -- well, let me rephrase the question.

Did you have any other conversations with Mr. Ravitch about what you've identified as a risk in obtaining exit financing and access to capital markets?

A. Not that I recall.

Q. Ms. Ravitch (sic), I'm going to show you what's previously been marked in a prior deposition, Exhibit M.

A. I'm not Mr. Ravitch.

<p style="text-align: right;">Page 495</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. I'm so sorry. Did I say that?</p> <p>3 Ravitch, Kopacz.</p> <p>4 A. Well --</p> <p>5 Q. There you go. I apologize.</p> <p>6 A. He's Russian, Polish, whatever,</p> <p>7 right?</p> <p>8 Q. I apologize, Ms. Kopacz.</p> <p>9 A. This is?</p> <p>10 Q. I will identify it. Just take a --</p> <p>11 for the record, while you take a moment to look</p> <p>12 over this document, this has previously been</p> <p>13 marked as Porter Exhibit Number 12, Exhibit M to</p> <p>14 the May 5th, 2014 disclosure statement. It is</p> <p>15 DWSD financial projections.</p> <p>16 On the second page of the exhibit,</p> <p>17 it's City of Detroit water and sewage disposal</p> <p>18 fund 10-year projections.</p> <p>19 Have you -- have you seen this</p> <p>20 document before?</p> <p>21 A. I have only seen this document in --</p> <p>22 in the context of having printed out the May 5th</p> <p>23 plan of adjustment disclosure statement. I have</p> <p>24 not spent any time with this document.</p> <p>25 Q. Did any members of your team spend</p>	<p style="text-align: right;">Page 497</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 some point?</p> <p>3 A. Again, because I said -- DWSD relates</p> <p>4 only to -- in terms of my feasibility assessment,</p> <p>5 the transfer of money from DWSD relative to the</p> <p>6 pension funding, okay. So given that assumption,</p> <p>7 right, I did not delve into DWSD issues.</p> <p>8 Done. Finit.</p> <p>9 Q. I take it you and your team spent</p> <p>10 time reviewing the City's 10-year projections and</p> <p>11 40-year projections, correct?</p> <p>12 A. Correct.</p> <p>13 Q. Now, you may have answered this in</p> <p>14 your prior answer, but let me just make sure.</p> <p>15 Does any part -- is there any line</p> <p>16 item that you can recall in those 10-year</p> <p>17 projections or 40-year projections that relate to</p> <p>18 DWSD's financial performance?</p> <p>19 A. The enterprise fund that is DWSD?</p> <p>20 Q. Yes.</p> <p>21 A. No.</p> <p>22 Q. So there's nothing in the 10-year</p> <p>23 projections or 40-year projections that are</p> <p>24 impacted by the amount of outstanding debt service</p> <p>25 that DWSD has with respect to its bondholders,</p>
<p style="text-align: right;">Page 496</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 any time with respect to this document being</p> <p>3 10-year projections for the water and sewage</p> <p>4 disposal fund?</p> <p>5 A. I don't recall specifically, but I do</p> <p>6 know at some point we did have one of our team</p> <p>7 members initially slotted to look at DWSD, so</p> <p>8 there may have been somebody who did look at it.</p> <p>9 Q. Who was that team member?</p> <p>10 A. That would have been Mike Gaul or Al</p> <p>11 Mink.</p> <p>12 (Cell phone interruption.)</p> <p>13 THE VIDEOGRAPHER: I'm sorry. That</p> <p>14 shouldn't have happened. I'm sorry.</p> <p>15 BY MR. NEAL:</p> <p>16 Q. Mike Gaul or --</p> <p>17 A. Al Mink.</p> <p>18 Q. Did either of those gentlemen</p> <p>19 actually look at these projections?</p> <p>20 A. Like I said -- I don't -- I don't</p> <p>21 know the answer to that. And the reason is</p> <p>22 because I believe -- I mean, while it was</p> <p>23 initially on the task list, I know that we took it</p> <p>24 off the list at some point. So...</p> <p>25 Q. Why did you take it off the last at</p>	<p style="text-align: right;">Page 498</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 correct?</p> <p>3 A. Correct.</p> <p>4 Q. There are no assumptions baked into</p> <p>5 the 10-year or 40-year projections as it relates</p> <p>6 to the refinancing of the DWSD bonds, correct?</p> <p>7 A. No. There is plan treatment of the</p> <p>8 DWSD bonds. Right? But not --</p> <p>9 Q. No doubt.</p> <p>10 A. Not the -- the only general fund</p> <p>11 linkage between DWSD, okay, and the City is DWSD's</p> <p>12 payment over that first ten years of the pension</p> <p>13 obligations.</p> <p>14 Q. Let's put the pension obligation</p> <p>15 aside, I'm going to come to that.</p> <p>16 Are you aware of the so-called</p> <p>17 interest rate reset that is being proposed under</p> <p>18 the plan with respect to the DWSD bonds?</p> <p>19 A. I am aware that the interest rate --</p> <p>20 I believe the interest rate in the call provisions</p> <p>21 were proposed to be changed under the fourth plan.</p> <p>22 I don't know what the fifth plan does.</p> <p>23 Q. Did you or your team ever analyze</p> <p>24 whether the rates that are being proposed under</p> <p>25 the plan are market or not?</p>

20 (Pages 495 to 498)

<p style="text-align: right;">Page 499</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. No.</p> <p>3 Q. Do you have any view or opinion with</p> <p>4 respect to the impairment of the bonds as it</p> <p>5 relates to interest rate and call protection?</p> <p>6 A. No.</p> <p>7 Q. So, is it accurate to say there's</p> <p>8 nothing in your expert report that goes to whether</p> <p>9 or not the plan would be feasible or not if the</p> <p>10 DWSD bonds interest rates are reset and the call</p> <p>11 protection stripped?</p> <p>12 A. I believe that's correct in that</p> <p>13 the -- the treatment of the DWSD bonds in the plan</p> <p>14 of arrangement does not impact my feasibility</p> <p>15 assessment of the plan. Does that --</p> <p>16 Q. Yes. So it makes no difference with</p> <p>17 respect to your opinion whether or not those bonds</p> <p>18 are impaired --</p> <p>19 A. That's correct.</p> <p>20 Q. -- correct?</p> <p>21 Do you know how much or the amount of</p> <p>22 the purported savings that the DWSD would achieve</p> <p>23 if the bonds are impaired as contemplated under</p> <p>24 the plan of adjustment?</p> <p>25 A. I don't.</p>	<p style="text-align: right;">Page 501</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 it.</p> <p>3 A. I'll find it.</p> <p>4 Q. If I had a page number, I would give</p> <p>5 it to you.</p> <p>6 A. Yes. It is -- it's on 136 and it's</p> <p>7 on 137.</p> <p>8 Q. With respect to the UAAL amount, did</p> <p>9 you or your team do anything to verify that the</p> <p>10 428.5 million is an accurate calculation of DWSD's</p> <p>11 share of the UAAL?</p> <p>12 A. No. My assumption is that that</p> <p>13 number was a given.</p> <p>14 Q. A given in what sense?</p> <p>15 A. In that it -- I have assumed that the</p> <p>16 \$428 million is correct for purposes of funding</p> <p>17 the pension treatment that is provided for in the</p> <p>18 plan.</p> <p>19 Q. Did anyone affiliated with the City</p> <p>20 tell you why they were structuring the</p> <p>21 transaction -- "the transaction" being the DWSD</p> <p>22 pension contribution -- the way that they</p> <p>23 structured it in the plan?</p> <p>24 A. Again, because it -- it is a source</p> <p>25 of funds that the City believed it could use to</p>
<p style="text-align: right;">Page 500</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. That number is not material to you?</p> <p>3 A. I don't know what the number is.</p> <p>4 Q. Whether that number is 300 million or</p> <p>5 600 million, it has no impact on the opinion that</p> <p>6 you are rendering in this case, correct?</p> <p>7 A. That's correct.</p> <p>8 Q. Let's turn to that, to use your</p> <p>9 terminology, Ms. Kopacz, the linkage. And that</p> <p>10 linkage is the 428.5 million pension contribution</p> <p>11 that is to go from DWSD to the City, correct?</p> <p>12 A. Correct.</p> <p>13 Q. And what did you do to analyze the</p> <p>14 amount and the proposed payments under the plan</p> <p>15 with respect to that amount?</p> <p>16 A. There's a chart in my report that</p> <p>17 identifies how that money comes into the City. I</p> <p>18 had conversations with Ernst &amp; Young as it relates</p> <p>19 to those monies.</p> <p>20 I had -- and I had other</p> <p>21 conversations with -- it was a topic that I --</p> <p>22 when I met with the retirement systems and their</p> <p>23 counsels, we talked about -- I can find it -- it</p> <p>24 comes in over ten years.</p> <p>25 Q. Yes. Please take a moment to find</p>	<p style="text-align: right;">Page 502</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 fund the pension obligation going forward.</p> <p>3 Q. Would it change your opinion at all</p> <p>4 in terms of feasibility whether that amount was</p> <p>5 paid out over nine years or ten years or a longer</p> <p>6 period of time?</p> <p>7 A. It could.</p> <p>8 Q. Did you run any -- perform any</p> <p>9 analysis over the impact that paying that money</p> <p>10 out over a longer period of time would have on the</p> <p>11 plan's feasibility?</p> <p>12 A. I did not.</p> <p>13 Q. So whether it's paid out over 30</p> <p>14 years or nine years, you don't have a view as to</p> <p>15 whether or not that would impact the feasibility</p> <p>16 of the plan?</p> <p>17 A. It's not paid in -- it's paid more in</p> <p>18 the first year than and then equally over the</p> <p>19 subsequent years. So depending on if that was</p> <p>20 spread over a 30 years, right, that could be --</p> <p>21 that could be meaningful. I don't know.</p> <p>22 Q. Do you know historically, let's just</p> <p>23 say going back five years, how much was paid in</p> <p>24 terms of DWSD's share of the UAAL?</p> <p>25 A. I don't.</p>

21 (Pages 499 to 502)

<p style="text-align: right;">Page 503</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Do you know why the first year number</p> <p>3 for the payment is larger than the subsequent</p> <p>4 year's?</p> <p>5 A. I don't.</p> <p>6 Q. I want to go back to Porter Exhibit</p> <p>7 12 just for a few moments. And remember that</p> <p>8 document is Exhibit M to the May 5th, 2014</p> <p>9 disclosure statement.</p> <p>10 A. Uh-huh.</p> <p>11 Q. Do you have any knowledge as to</p> <p>12 whether any DWSD employees and consultants were</p> <p>13 consulted with regard to the creation of the water</p> <p>14 and sewage disposal fund 10-year projections?</p> <p>15 A. I'm sorry.</p> <p>16 Q. Yes. Do you know if any DWSD</p> <p>17 employees or consultants were consulted with</p> <p>18 respect to the creation of these 10-year</p> <p>19 projections?</p> <p>20 A. I have no knowledge one way or</p> <p>21 another.</p> <p>22 Q. Would it surprise you that several</p> <p>23 members of the DWSD management have testified that</p> <p>24 they had no input into the creation of this</p> <p>25 Exhibit M, Porter Number 12?</p>	<p style="text-align: right;">Page 505</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 where it became evident to me in trying to do --</p> <p>3 again, trying to understand the plan, the</p> <p>4 baseline, the RRI's, the long-term projections,</p> <p>5 vis-a-vis the budget and the reasonableness of the</p> <p>6 totality of projections for how the City's going</p> <p>7 to operate.</p> <p>8 And during -- and I participated in a</p> <p>9 lot of what the mayor referred to as his budget</p> <p>10 review meetings, but where the purpose was to meet</p> <p>11 with the department heads to understand if they</p> <p>12 believed they could meet the projections and the</p> <p>13 plan in the POA.</p> <p>14 Q. Did you meet with department heads?</p> <p>15 A. I did.</p> <p>16 Q. And the meetings with department</p> <p>17 heads that you referred to in your answer before</p> <p>18 the last one, those were meetings that you were --</p> <p>19 you and your team members were involved in?</p> <p>20 A. Most of them I did. Occasionally,</p> <p>21 depending on the department, others of my team</p> <p>22 participated in.</p> <p>23 Q. And one of the purposes of those</p> <p>24 meetings, I would imagine, is that you wanted the</p> <p>25 make sure department heads and the City and its</p>
<p style="text-align: right;">Page 504</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. Would it surprise me?</p> <p>3 Q. Would it surprise you?</p> <p>4 A. No.</p> <p>5 Q. You touch upon this in your report,</p> <p>6 correct, and that is, the -- I'm going to use this</p> <p>7 word and you can correct me if you don't like it</p> <p>8 -- the disconnect between the City employees and</p> <p>9 the City professionals?</p> <p>10 A. Yes.</p> <p>11 Q. Would you agree that in some</p> <p>12 instances there's a disconnect between the</p> <p>13 projections prepared by the City's professional</p> <p>14 advisors and the views, opinions and projections</p> <p>15 prepared by the City's employees, correct?</p> <p>16 A. Yes.</p> <p>17 Q. Where have you seen that?</p> <p>18 A. I've seen that in the operating</p> <p>19 departments within the general fund.</p> <p>20 Q. Can you give one example?</p> <p>21 A. Fire department.</p> <p>22 Q. And where would the disconnect lie</p> <p>23 between the fire department and the City?</p> <p>24 A. In the -- most of it lies in the</p> <p>25 RRI's, in the development of the RRI's. And that's</p>	<p style="text-align: right;">Page 506</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 professional advisors were on the same page, so to</p> <p>3 speak?</p> <p>4 A. Well, the beginning of those</p> <p>5 meetings, it was only the department heads and the</p> <p>6 mayor's staff. And then as those meetings</p> <p>7 progressed and it became obvious that department</p> <p>8 heads didn't understand how they fit into the</p> <p>9 plan, that then representatives from E &amp; Y and</p> <p>10 Conway started attending.</p> <p>11 Q. Do you know if the department heads</p> <p>12 at DWSD know how they fit in with the plan?</p> <p>13 A. I have no idea.</p> <p>14 Q. Are you aware that DWSD itself</p> <p>15 generates its own internal projections?</p> <p>16 A. I have no knowledge one way or</p> <p>17 another.</p> <p>18 Q. So you did not -- neither you nor</p> <p>19 anyone on your team evaluate any DWSD internal</p> <p>20 projections?</p> <p>21 A. That's correct.</p> <p>22 Q. You've not done a comparison of DWSD</p> <p>23 internal projections with the 10-year projections</p> <p>24 reflected in Porter 12?</p> <p>25 A. No.</p>

22 (Pages 503 to 506)



<p style="text-align: right;">Page 507</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Now, there's a section on DWSD in</p> <p>3 your report, under Section O, other risks and</p> <p>4 operations --</p> <p>5 A. Opportunities.</p> <p>6 Q. Excuse me, you're right.</p> <p>7 Opportunities. So if you could turn</p> <p>8 to Page 196.</p> <p>9 A. Uh-huh.</p> <p>10 Q. So DWSD, in your view, has very</p> <p>11 little impact on the general fund; is that</p> <p>12 correct?</p> <p>13 A. That's correct.</p> <p>14 Q. Then you state, "DWSD does play a</p> <p>15 significant role in funding the City's pension</p> <p>16 obligations during the forecast period."</p> <p>17 Do you see that statement?</p> <p>18 A. Yes.</p> <p>19 Q. You have a footnote and that is the</p> <p>20 428 we were talking about earlier, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. My questions concern the next simply</p> <p>23 one sentence: "In the event of a significant</p> <p>24 disruption to the DWSD operations, significant</p> <p>25 loss of customers impairing its financial</p>	<p style="text-align: right;">Page 509</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. I have not.</p> <p>3 Q. So whether they could only pay</p> <p>4 20 million a year versus 60 million a year for</p> <p>5 their UAAL contribution, how that impacts</p> <p>6 feasibility is not something you've analyzed?</p> <p>7 A. Not specifically.</p> <p>8 Q. There's a reference also baked into</p> <p>9 this sentence. I want to see if it's something</p> <p>10 different than what you've already disclosed.</p> <p>11 "...to a significant loss of</p> <p>12 customers impairing its financial prospects."</p> <p>13 Is that also unknown and unknowable?</p> <p>14 A. Yes.</p> <p>15 Q. You're not aware, sitting here today,</p> <p>16 of any event on the near horizon that could result</p> <p>17 in a significant loss of customers?</p> <p>18 A. That's correct.</p> <p>19 Q. It could happen or it couldn't,</p> <p>20 correct?</p> <p>21 A. I don't know.</p> <p>22 Q. Have you had any communications with</p> <p>23 Mr. Ravitch about the DWSD pension contribution?</p> <p>24 A. No.</p> <p>25 Q. Can you tell me all of your</p>
<p style="text-align: right;">Page 508</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 prospects, or in the event that the DWSD</p> <p>3 contributions are not made according to the POA,</p> <p>4 this could negative impact on the outcome of the</p> <p>5 POA."</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. And what significant disruption to</p> <p>9 the DWSD operations are you referring to there?</p> <p>10 A. If something happened at DWSD such</p> <p>11 that they can't not make the contributions to the</p> <p>12 pension funding, that will have a negative impact</p> <p>13 on the results of the City's ability to meet the</p> <p>14 obligations in the POA.</p> <p>15 I don't know what they could be. You</p> <p>16 could have all the water mains blow, for all I</p> <p>17 know. I have no idea what they could be.</p> <p>18 This is simply a -- this is an</p> <p>19 unknown and unknowable in my perspective. But if</p> <p>20 something happens where DWSD can't contribute as</p> <p>21 its envisioned, that would have -- I would have to</p> <p>22 reevaluate, you know, my thoughts on whether or</p> <p>23 not the POA obligations would be met.</p> <p>24 Q. But again, you've not done a</p> <p>25 sensitivity analysis in that regard?</p>	<p style="text-align: right;">Page 510</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 conversations with Mr. Ravitch as they concerned</p> <p>3 the DWSD?</p> <p>4 A. I don't believe we ever talked about</p> <p>5 DWSD at any level.</p> <p>6 Q. Okay. I'll represent it's more</p> <p>7 valuable than the art, but I'm not asking you to</p> <p>8 respond to that. Others have different opinions</p> <p>9 in this very room, but I'll move on.</p> <p>10 Did you have any conversations with</p> <p>11 Mr. Ravitch about any of the expert reports that</p> <p>12 were submitted by the DWSD bond insurers or the</p> <p>13 U.S. Trustee as Indenture Trustee?</p> <p>14 A. My prior answer was the sum total of</p> <p>15 my answer. I don't believe Mr. Ravitch and I have</p> <p>16 ever talked about DWSD. I'm not sure he knows</p> <p>17 what DWSD stands for.</p> <p>18 Q. Do you have any views or opinions</p> <p>19 with respect to what the projected rate increases</p> <p>20 are under the plan with respect to water and sewer</p> <p>21 rates?</p> <p>22 A. I don't. I know the cost that the</p> <p>23 City's paying is going up.</p> <p>24 Q. Do you know whether there is, to</p> <p>25 adopt a term in your report, a tipping point with</p>

23 (Pages 507 to 510)

<p style="text-align: right;">Page 511</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 respect to those -- those costs?</p> <p>3 A. I don't.</p> <p>4 Q. Last exhibit I want to show you,</p> <p>5 previously marked as Orr Exhibit Number 18.</p> <p>6 While you're looking through it, I'm</p> <p>7 going to represent to you, Ms. Kopacz, that Orr</p> <p>8 Exhibit 18 has the title "Feasibility Report" and</p> <p>9 we'll get to what that means in a second.</p> <p>10 I'll represent to you that this is a</p> <p>11 document prepared by the rate consultant for DWSD.</p> <p>12 It's fairly current. It's a July 17, 2014</p> <p>13 document.</p> <p>14 Now, it would surprise me if you said</p> <p>15 yes, but let me ask you: Have you seen this</p> <p>16 document before?</p> <p>17 A. No.</p> <p>18 Q. Do you know what a feasibility study</p> <p>19 or report is as that term terminology is used in</p> <p>20 the public finance context?</p> <p>21 A. I -- I have -- I have been exposed to</p> <p>22 that term before relative to public financing</p> <p>23 projects. So, generally, yes. Specifically as it</p> <p>24 relates to this, obviously not.</p> <p>25 Q. What's your general understanding of</p>	<p style="text-align: right;">Page 513</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. I don't mean to be flip, but couple</p> <p>3 of things. One, it says preliminary to be</p> <p>4 updated. So I don't know if there has been any</p> <p>5 changes to that. And quite frankly, this is more</p> <p>6 information than I think I can deal with in a</p> <p>7 90-second review.</p> <p>8 So I guess I would say I just don't</p> <p>9 think it would be very professional if I said one</p> <p>10 thing or another about this.</p> <p>11 Q. All right. Well, very good. I'm</p> <p>12 going to just walk you through it. It shouldn't</p> <p>13 take very long.</p> <p>14 A. Okay.</p> <p>15 Q. The first two paragraphs deal with</p> <p>16 sewage disposal rates. Is that something that you</p> <p>17 have studied as part of this engagement?</p> <p>18 A. No. But the only thing I know about</p> <p>19 sewage disposal rates is the -- the sewage rates</p> <p>20 the City is paying itself, have -- are expected to</p> <p>21 go up and have gone up. Because, again, the way</p> <p>22 that the City is being charged for sewer has</p> <p>23 changed this year versus previously.</p> <p>24 Q. But whether or not the sewage</p> <p>25 disposal rates are above or below average of those</p>
<p style="text-align: right;">Page 512</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 why a feasibility report is prepared?</p> <p>3 A. To assess whether or not a project,</p> <p>4 for example, you know, an industrial revenue bond</p> <p>5 issue or, you know, something like that would make</p> <p>6 sense whether or not it would be rate feasibility</p> <p>7 around public utilities, those sorts of things.</p> <p>8 Q. If you could turn to the very last</p> <p>9 page and my question for you is -- I'm very close</p> <p>10 to wrapping up -- if you could just take a moment</p> <p>11 and read the facts and opinions that are set forth</p> <p>12 1 through 6 on this last page.</p> <p>13 A. This is A-25?</p> <p>14 Q. Yes. My question is going to be do</p> <p>15 you have any basis to disagree with any of the</p> <p>16 facts and opinions set forth in 1 through 6 on</p> <p>17 this page?</p> <p>18 A. Okay. Can you tell me what the CIP</p> <p>19 is?</p> <p>20 Q. That's an acronym for capital</p> <p>21 improvement plan.</p> <p>22 A. Okay. Okay, I've read it.</p> <p>23 Q. Okay. Do you have any reason to</p> <p>24 disagree with any of the facts or opinions set</p> <p>25 forth here?</p>	<p style="text-align: right;">Page 514</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 and comparably sized cities --</p> <p>3 A. I would have no knowledge.</p> <p>4 Q. Same question as it relates to the</p> <p>5 water rates.</p> <p>6 A. I have no knowledge.</p> <p>7 Q. And bullet point 3 or paragraph</p> <p>8 numbered 3 as it relates to the CIP, the capital</p> <p>9 improvement plan, fair to say you have not</p> <p>10 reviewed DWSD's capital improvement plan?</p> <p>11 A. I have not.</p> <p>12 Q. Point number 4, the department's</p> <p>13 current fiscal policies, have you reviewed the</p> <p>14 department's current fiscal policies?</p> <p>15 A. I have not.</p> <p>16 Q. And in the last two points, point</p> <p>17 number 5, whether or not the revenues pledged as</p> <p>18 security for the DWSD bonds are projected to be</p> <p>19 sufficient to comply with rate covenants,</p> <p>20 et cetera, is that something you've looked at?</p> <p>21 A. I have not.</p> <p>22 Q. And the coverage requirements that</p> <p>23 are referenced in Paragraph 6 with respect to the</p> <p>24 bonds, is that something you've looked at?</p> <p>25 A. No.</p>

24 (Pages 511 to 514)

<p style="text-align: right;">Page 515</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. In reviewing the transcript from</p> <p>3 yesterday, I believe Mr. Stewart asked you at the</p> <p>4 start if you had any misgivings or any conclusions</p> <p>5 that you weren't confident about in your report.</p> <p>6 Given the past day and a half of</p> <p>7 questioning, do you have anything?</p> <p>8 A. I'm still -- no, I'm still really</p> <p>9 comfortable with what we did, given the scope of</p> <p>10 our assignment, given the best information</p> <p>11 available. And I really haven't changed any of my</p> <p>12 thoughts in the last day and a half.</p> <p>13 MR. WAGNER: Very good. I have no</p> <p>14 further questions. I yield to others.</p> <p>15 MR. BRILLIANT: I'm not going to have</p> <p>16 very much time. Do you want to take a</p> <p>17 few-minute break and we'll switch seats.</p> <p>18 THE VIDEOGRAPHER: The time is</p> <p>19 11:16 a.m. We're going off the record.</p> <p>20 (Whereupon, there was a brief recess</p> <p>21 in the proceedings.)</p> <p>22 THE VIDEOGRAPHER: The time is</p> <p>23 11:26 a.m. We're back on the record.</p> <p>24</p> <p>25 EXAMINATION BY MR. BRILLIANT:</p>	<p style="text-align: right;">Page 517</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. And you didn't do anything to analyze</p> <p>3 whether DWSD would have the financial capability</p> <p>4 to make the payments; you just relied on the</p> <p>5 assumption they could make the payments?</p> <p>6 A. Yes.</p> <p>7 Q. And you -- and because you didn't</p> <p>8 review any DWSD financial projections, you have no</p> <p>9 opinion as to whether any financial projections</p> <p>10 are reasonable; isn't that right?</p> <p>11 A. That's correct.</p> <p>12 Q. And you have no opinion as to whether</p> <p>13 or not DWSD is viable after confirmation of the</p> <p>14 plan, do you?</p> <p>15 A. Like I said, I don't have any</p> <p>16 perspective or point of view on DWSD.</p> <p>17 Q. Okay. So when you say in your report</p> <p>18 that the plan is feasible, you mean this the plan</p> <p>19 as relates to the general fund is feasible based</p> <p>20 on the assumptions contained in your report, but</p> <p>21 you have no opinion as to whether the DWSD portion</p> <p>22 of the plan is feasibility; is that correct?</p> <p>23 A. That's correct.</p> <p>24 Q. Mr. Neal had asked you about</p> <p>25 conversations that you had with respect to</p>
<p style="text-align: right;">Page 516</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Ms. Kopacz --</p> <p>3 THE VIDEOGRAPHER: Your microphone,</p> <p>4 sir.</p> <p>5 Q. I'm going to try to just fill in some</p> <p>6 gaps and try not to repeat things and I hope we</p> <p>7 can do this pretty quickly.</p> <p>8 So the first thing I wanted to ask</p> <p>9 you about is with respect to the DWSD, in</p> <p>10 answering some questions from Mr. Neal you said</p> <p>11 that the only thing that you looked at in</p> <p>12 connection with DWSD was in connection with the --</p> <p>13 the pension payments; is that right?</p> <p>14 A. That's correct.</p> <p>15 Q. And what did you do in connection</p> <p>16 with that? You just assumed that DWSD would make</p> <p>17 the payments?</p> <p>18 A. I had conversations with the City and</p> <p>19 the City's professionals and conversations with --</p> <p>20 I know counsel to the retirement systems and to</p> <p>21 some of the people that were involved in that.</p> <p>22 Q. And basically you just made the</p> <p>23 assumption that DWSD would be able to make those</p> <p>24 payments?</p> <p>25 A. I did.</p>	<p style="text-align: right;">Page 518</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 monetization of DWSD.</p> <p>3 A. Yes.</p> <p>4 Q. And he'd asked you about</p> <p>5 conversations with Miller Buckfire.</p> <p>6 A. Yes.</p> <p>7 Q. And he asked you about conversations</p> <p>8 with Conway and Mackenzie.</p> <p>9 A. Yes.</p> <p>10 Q. Were there conversations that you had</p> <p>11 about the monetizations of DWSD with anybody else?</p> <p>12 A. Not to my recollection.</p> <p>13 Q. When was it that you decided that the</p> <p>14 feasibility analysis would only be limited to the</p> <p>15 general fund and -- and not to the enterprise</p> <p>16 funds?</p> <p>17 A. Because the plan of adjustment</p> <p>18 projections only relate to the general fund.</p> <p>19 Q. Okay. But when -- so when was the</p> <p>20 decision that you would only -- 'cause in the</p> <p>21 disclosure statement, right, there's -- there's</p> <p>22 the 10- and 40-year projections for the general</p> <p>23 fund, correct?</p> <p>24 A. Right. Yes.</p> <p>25 Q. And then -- and then there are also</p>

25 (Pages 515 to 518)

<p style="text-align: right;">Page 519</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 projections for DWSD; is that right?</p> <p>3 A. I'd have to look at it again, but,</p> <p>4 yes, I believe there were.</p> <p>5 Q. Okay. So when was the decision made</p> <p>6 to only review the reasonableness of the</p> <p>7 projections as they related to the general fund?</p> <p>8 When did you make that decision?</p> <p>9 A. I don't recall specifically.</p> <p>10 Q. Was it early on in your process?</p> <p>11 A. It was multiple times in my process.</p> <p>12 I think originally, again, when I -- when I got</p> <p>13 involved in April, I didn't understand enough</p> <p>14 about the case, the projections. I didn't</p> <p>15 understand the projections. And as I got more</p> <p>16 involved in it, I realized that the plan really</p> <p>17 only included the general fund, not so much the</p> <p>18 enterprise fund.</p> <p>19 And it probably was the original --</p> <p>20 it was probably the first conversation with John</p> <p>21 Hill when I really got a much better understanding</p> <p>22 of the projections in the plan of adjustment.</p> <p>23 Q. So when you say the plan only</p> <p>24 included the general fund. When you're talking</p> <p>25 about plan, are you talking about --</p>	<p style="text-align: right;">Page 521</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Okay. But -- but you made no</p> <p>3 analysis as to whether or not DWSD, after the</p> <p>4 confirmation, will be feasible or viable; isn't</p> <p>5 that right?</p> <p>6 A. That is correct.</p> <p>7 Q. And so, again, I just want to</p> <p>8 understand, you know, why you decided not to</p> <p>9 include an analysis of DWSD.</p> <p>10 Did the City ask you not to do that</p> <p>11 or you just concluded you didn't have enough time?</p> <p>12 Or what was -- what was the rationale for that?</p> <p>13 A. The rationale was the -- the risks,</p> <p>14 if you will, in the plan of adjustment are in the</p> <p>15 projections that relate to the general fund, okay.</p> <p>16 DWSD had been a standalone</p> <p>17 self-sufficient enterprise system for a long time,</p> <p>18 okay. Yes, it is adjusting its debt as part of</p> <p>19 the plan, but it doesn't -- because it doesn't</p> <p>20 require a subsidy from the City like DDOT does and</p> <p>21 it doesn't impact the general fund, in terms of my</p> <p>22 scope and in terms of what I believe the judge</p> <p>23 wanted me to do was to look at the plan, the</p> <p>24 10-year, the 10/40 years and the RRI's relative to</p> <p>25 the general fund.</p>
<p style="text-align: right;">Page 520</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. I'm talking about the 10-year, the</p> <p>3 RRI's and the 10-year, 40-year.</p> <p>4 So we can identify the exhibits to</p> <p>5 the disclosure statement as probably the best way</p> <p>6 to do it.</p> <p>7 Q. Okay. I was, at this point, just</p> <p>8 asking you a different question.</p> <p>9 You used the word "plan." Are you</p> <p>10 talking about the plan of adjustment?</p> <p>11 A. Yes.</p> <p>12 Q. So when you say the plan of</p> <p>13 adjustment only includes the general fund, but</p> <p>14 DWSD is part of the City, it's a department of the</p> <p>15 City, correct?</p> <p>16 A. It is.</p> <p>17 Q. And its debt is being adjusted</p> <p>18 pursuant to the plan of adjustment; isn't that</p> <p>19 right?</p> <p>20 A. It is.</p> <p>21 Q. And its services that it provides to</p> <p>22 both Detroit residents and to residents outside of</p> <p>23 the City, are important, aren't they? Water and</p> <p>24 sewage?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 522</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Okay. And when you say that's what</p> <p>3 you believe the judge wanted you to do, did</p> <p>4 Judge Rhodes tell you that or is that --</p> <p>5 A. No.</p> <p>6 Q. -- just an assumption that you made?</p> <p>7 A. That's an assumption that I made.</p> <p>8 Q. Did you discuss with, you know, the</p> <p>9 City or any of its counsel or advisors whether</p> <p>10 DWSD should be included in your feasibility</p> <p>11 analysis?</p> <p>12 A. I have talked to the City a couple of</p> <p>13 times about DWSD. I've talked to the -- some of</p> <p>14 the bondholder lawyers relative to DWSD, to -- to,</p> <p>15 you know, confirm my belief that DWSD's linkage to</p> <p>16 the City, right, is really only through this</p> <p>17 contribution of pension monies over the -- over</p> <p>18 the next ten years.</p> <p>19 Q. Did you have a conversation in early</p> <p>20 July with Ms. Lenox about DWSD?</p> <p>21 A. I did.</p> <p>22 Q. And do you remember who initiated</p> <p>23 that conversation?</p> <p>24 A. I called -- I called Ms. Lenox and</p> <p>25 she called me back. And again, there was -- there</p>

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- MARTI KOPACZ - VOLUME II-

was something that happened that prompted the call, I don't remember what it was, but I wanted -- you know, once again, to talk with her about anything that was going on in the DWSD mediation that could impact what I was doing.

Q. And so was that call on July 10th or roughly?

A. That sounds about right.

Q. Okay. And how long did the call last?

A. Very short. Probably five minute or so less.

Q. Okay. And do you remember what you asked her and what she told you?

A. I remember I was sitting at the Marine Air Terminal waiting on a plane when she called and I said, Are there any updates on the DWSD mediations, negotiations or whatever, that, you know, I should be thinking about, considering, that could have an impact on the plan? She told me no, and that was the end of the conversation.

Q. When -- I think you testified earlier that your team had done the first draft of the plan as it related to pensions and then you edited

- MARTI KOPACZ - VOLUME II-

it. What about the rest of your -- of your report, did you do the initial --

A. Well, some sections, some -- we divided the writing amongst the team based on the areas that people had -- had worked on primarily. And then whoever wrote, gave their drafts to other people to edit and that's how we developed the report.

Q. Okay. Did you do the initial drafting on any portion of the reports?

A. I did the initial drafting on context, summary -- I mean, the -- the -- I think we changed the title. I think it was called statement of opinion. It started -- it originally started life as the executive summary and I believe we -- I think we called -- yeah, statement of expert's opinion. I did that.

Q. When did -- when did you start putting -- you and your team start putting I guess pen to paper, but I guess the reality is nobody uses a pen and paper anymore, but when did you start drafting the report?

A. A couple of weeks before it was due.

Q. So it was due on the -- you filed it

- MARTI KOPACZ - VOLUME II-

on the 18th. So sometime around July 4th?

A. Right after July 4th.

Q. That's when people started to --

A. We started -- we started writing.

THE REPORTER: Just let him complete the question before you respond.

THE WITNESS: Thank you. I'm sorry.

BY MR. BRILLIANT:

Q. Then after you started writing, did you share any of your preliminary opinions or drafts of the report with anybody outside of your team?

A. We shared the original feasibility definition with Jones Day. And as I testified before, I shared original drafts of the pension and the post-confirmation oversight sections with Mr. Ravitch.

Q. And did -- after you shared the original feasibility opinion with Jones Day, did you make any changes to that section?

A. Yes.

MR. LERNER: I'm going to object, you mischaracterized her statement. She did not say she shared her feasibility opinion with

- MARTI KOPACZ - VOLUME II-

Jones Day.

MR. KANE: Section.

MR. LERNER: The standard, the definitions is what we shared.

THE WITNESS: The standard.

BY MR. BRILLIANT:

Q. That's what I meant to say.

After you shared the original standard section with Jones Day, did you make any changes to that section?

A. I'm sure we did.

Q. Did you make any changes that were requested by Jones Day?

A. I never heard back from Jones Day.

Q. So you gave it them and they never commented on it?

A. They did not.

Q. Is it possible they commented to any of the members of your team?

A. They did not.

Q. And then after you shared with Mr. Ravitch the -- the pensions section, did you discuss it with him?

A. We did.

<p style="text-align: right;">Page 527</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. And did you make any changes after</p> <p>3 you shared it with him?</p> <p>4 A. Yes.</p> <p>5 Q. Were any of the changes things that</p> <p>6 he had suggested?</p> <p>7 A. No.</p> <p>8 Q. Did you share that section with</p> <p>9 Mr. Kiernan?</p> <p>10 A. No.</p> <p>11 Q. Do you know if Mr. Ravitch shared it</p> <p>12 with March Kiernan?</p> <p>13 A. I don't know.</p> <p>14 Q. When you met with Mr. Kiernan, had</p> <p>15 you already shared the draft of the pension</p> <p>16 section with Mr. Ravitch?</p> <p>17 A. No.</p> <p>18 Q. Did you have any discussions with</p> <p>19 Mr. Kiernan about the pension section?</p> <p>20 A. No.</p> <p>21 Q. Prior to sharing your report with the</p> <p>22 judge after you finalized it, signed it, sent it</p> <p>23 to the judge in the e-mail that we -- that you</p> <p>24 testified about yesterday, did you give any kind</p> <p>25 of overview or indication to the City or any of</p>	<p style="text-align: right;">Page 529</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 In testimony that you gave really</p> <p>3 just this morning with Mr. Neal, you were talking</p> <p>4 a little bit about the -- a feasibility report</p> <p>5 that he showed you and he asked you a couple of</p> <p>6 questions about the last page of that and some of</p> <p>7 the assumptions that are on it. And during the</p> <p>8 course of that interchange, you relayed some</p> <p>9 information that you had about sewage rates.</p> <p>10 So my question to you is, from whom</p> <p>11 did you gather or learn that information about the</p> <p>12 sewer rates?</p> <p>13 A. It is in the projections. So, while</p> <p>14 my team was looking at the various projections and</p> <p>15 the models, okay, we saw changes in utility costs</p> <p>16 and as we did diligence on those, found some of</p> <p>17 that was in sewer, some of it was in water, some</p> <p>18 of it was electric, okay.</p> <p>19 The other point of reference that I</p> <p>20 have is from my meeting with the department heads</p> <p>21 for recreation. And in their budget, they have an</p> <p>22 increased cost associated with utilities that, in</p> <p>23 part, was the result of being charged differently</p> <p>24 for sewer than they had been charged before.</p> <p>25 Q. I believe, based on all of your</p>
<p style="text-align: right;">Page 528</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 its advisors as to where you were coming out with</p> <p>3 your report?</p> <p>4 A. No.</p> <p>5 MR. BRILLIANT: I don't have anything</p> <p>6 further.</p> <p>7 THE VIDEOGRAPHER: We're going to go</p> <p>8 off the record for a moment. The time is</p> <p>9 11:39. We're going off the record. This is</p> <p>10 the end of Disk Number 2.</p> <p>11 (Whereupon, there was a brief recess</p> <p>12 in the proceedings.)</p> <p>13 THE VIDEOGRAPHER: This is still Disk</p> <p>14 Number 2, the time is 11:40 and we're back on</p> <p>15 the record.</p> <p>16 EXAMINATION BY MS. QUADROZZI:</p> <p>17 Q. Good morning.</p> <p>18 A. Good morning.</p> <p>19 Q. We've spoken a couple of times over</p> <p>20 the course of the two days that we have been here,</p> <p>21 but just to be clear, I represent Oakland County</p> <p>22 in connection with the case and I'm just going to</p> <p>23 ask you a couple questions. And as the other</p> <p>24 lawyers have said, I'm going to try not to</p> <p>25 duplicate.</p>	<p style="text-align: right;">Page 530</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 testimony, that I know the answers to this. But</p> <p>3 just to sort of tie the loop around this</p> <p>4 information, despite having learned of this</p> <p>5 information during the course of your report, it</p> <p>6 did not form the basis for nor did it influence</p> <p>7 any of the opinions in the report, correct?</p> <p>8 A. That's correct.</p> <p>9 Q. And having gained this information,</p> <p>10 you did not reach out to speak to anyone in DWSD</p> <p>11 to confirm it or get further information relating</p> <p>12 to the rates that you've outlined?</p> <p>13 A. No. I was simply doing diligence on</p> <p>14 the City's operating cost for utilities, and those</p> <p>15 prospective rates changed from the historicals.</p> <p>16 And so as part of that inquiry, I learned of a</p> <p>17 change in billing practices in terms of sewer and</p> <p>18 I learned of changes in electric cost as it</p> <p>19 relates to moving over to DTE as an energy</p> <p>20 provider as opposed to the City billing itself.</p> <p>21 Q. I want to ask you just a couple of</p> <p>22 questions based on the portion of your report that</p> <p>23 does relate to DWSD and you went over that this</p> <p>24 morning again with Mr. Neal.</p> <p>25 So that's Page 196 and 197.</p>

<p style="text-align: right;">Page 531</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. Uh-huh.</p> <p>3 Q. In particular, the sentence, the</p> <p>4 final sentence of that paragraph, the sort of</p> <p>5 carryover sentence, you discuss with Mr. Neal the</p> <p>6 phrase of that sentence talking about that a</p> <p>7 significant loss of customers impairing DWSD's</p> <p>8 financial projects could negatively impact the</p> <p>9 outcome of the plan of adjustment.</p> <p>10 And during your testimony with</p> <p>11 Mr. Neal, you testified that this section,</p> <p>12 particularly the one that I just pointed you to,</p> <p>13 was an unknown and, in fact, was unknowable.</p> <p>14 Do you remember that testimony?</p> <p>15 A. I do.</p> <p>16 Q. My question is this: Did you -- and</p> <p>17 I'm focusing on the last part of your answer; not</p> <p>18 so much the unknown, but the unknowable.</p> <p>19 Did you, during the course of your</p> <p>20 work here, do anything to try to determine if, in</p> <p>21 fact, any of those things that you categorized as</p> <p>22 unknowns were, in fact, unknowable?</p> <p>23 A. At this point, no.</p> <p>24 Q. And why not?</p> <p>25 A. Again, the -- the tasks that I had to</p>	<p style="text-align: right;">Page 533</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 stepping in and out to try to get hold of the</p> <p>3 judge.</p> <p>4 A. Okay.</p> <p>5 Q. So I apologize if these questions</p> <p>6 were asked.</p> <p>7 But what I want to ask you about is</p> <p>8 there was testimony yesterday about a couple of</p> <p>9 dinner parties and the one I want to focus on,</p> <p>10 because I believe that your testimony was that at</p> <p>11 one of them you were sitting at a table with Tom</p> <p>12 Lewand; is that correct?</p> <p>13 A. Yes.</p> <p>14 Q. And can you tell me what -- two</p> <p>15 questions. One, how did Mr. Lewand come to be a</p> <p>16 party or an invitee to the dinner party; and two,</p> <p>17 what did you and Mr. Lewand discuss?</p> <p>18 A. I don't know how Mr. Lewand became an</p> <p>19 invitee. I don't. I had nothing to do -- I was</p> <p>20 simply an invited guess. So I have no idea who</p> <p>21 made the guest list other than we were at the</p> <p>22 Blusteins' home.</p> <p>23 The conversation that I had with Tom</p> <p>24 was part of the large table discussion and we</p> <p>25 talked about Mr. Lewand's recent previous career</p>
<p style="text-align: right;">Page 532</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 accomplish, the time frame that I had to do it in,</p> <p>3 okay. The importance that DWSD has to the plan of</p> <p>4 adjustment projections related to the general</p> <p>5 fund. Okay. The -- again, it goes back to the</p> <p>6 linkage and it's the pension issue. Okay.</p> <p>7 Would I -- had I had more time, I</p> <p>8 probably would have done more work on DWSD. Okay.</p> <p>9 But it is simply a -- the most important thing for</p> <p>10 me to do was to look at the plan projections, to</p> <p>11 understand what those were, to assess the</p> <p>12 feasibility.</p> <p>13 The linkage in to -- with DWSD is a</p> <p>14 single line item of pension funding. Okay. So it</p> <p>15 just -- it is -- I don't mean to be disrespectful</p> <p>16 of DWSD, I know it's something that's very, very</p> <p>17 important, I know lots of people in this case care</p> <p>18 very deeply about it. But at this juncture, I had</p> <p>19 to use my best efforts to deliver my opinion and</p> <p>20 my report and where DWSD fits into it, according</p> <p>21 to my assumption, is in that line item relative to</p> <p>22 pension funding.</p> <p>23 Q. Let me ask you one other question and</p> <p>24 I'm going to apologize because it relates to an</p> <p>25 area of your testimony yesterday where I was</p>	<p style="text-align: right;">Page 534</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 as an artist and that the mayor had convinced him</p> <p>3 to join the administration in an economic</p> <p>4 development and planning role.</p> <p>5 Q. Did you talk at all with Mr. Lewand</p> <p>6 about his career before his art sojourn as a</p> <p>7 special master to Judge Feikens in connection with</p> <p>8 the Clean Water Act case that DWSD was a party in</p> <p>9 for 30 years?</p> <p>10 A. No, never heard that.</p> <p>11 MS. QUADROZZI: Okay. I have no</p> <p>12 further questions.</p> <p>13 MR. KANE: Does anyone else have any</p> <p>14 questions?</p> <p>15 MS. GREEN: Am I the only one? Am I</p> <p>16 last?</p> <p>17 (Discussion held off the record.)</p> <p>18 MS. GREEN: Do you have any</p> <p>19 questions? Do you want me to go or do you</p> <p>20 want to go?</p> <p>21 MR. ALBERTS: You can go.</p> <p>22 THE VIDEOGRAPHER: If I could ask you</p> <p>23 to put your mike on. Thank you.</p> <p>24 EXAMINATION BY MS. GREEN:</p> <p>25 Q. My name is Jennifer Green and I</p>

29 (Pages 531 to 534)

<p style="text-align: right;">Page 535</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 represent the two retirement systems for the City</p> <p>3 of Detroit. We met very briefly at your interview</p> <p>4 months ago and I don't believe we've spoken since,</p> <p>5 but I'll be brief.</p> <p>6 A lot of my questions actually were</p> <p>7 asked this morning by Jonathan Wagner. So I</p> <p>8 apologize, I may have to jump around a little bit</p> <p>9 because I'm going to try not to repeat the same</p> <p>10 questions that he had.</p> <p>11 If we go to Exhibit 1 which is a copy</p> <p>12 of your report, Page 127.</p> <p>13 A. Page 127. Uh-huh. Okay.</p> <p>14 Q. There is a paragraph in the middle --</p> <p>15 A. Uh-huh.</p> <p>16 Q. -- where you state that, "A number of</p> <p>17 different practices have contributed to a</p> <p>18 significant funding shortfalls in the two pension</p> <p>19 plans. The retirement systems utilized</p> <p>20 unrealistic rate of return assumptions and manage</p> <p>21 the pension plans in accordance with questionable</p> <p>22 investment strategies that result in a</p> <p>23 considerable underfunding of their respective</p> <p>24 plans."</p> <p>25 Do you see that?</p>	<p style="text-align: right;">Page 537</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 in my firm met with a similar group of people of</p> <p>3 -- that represented the pension funds and we</p> <p>4 talked about -- they shared with me a history of</p> <p>5 the investments around the retirement systems, the</p> <p>6 investments that were made, and I believe it was</p> <p>7 during the during the Kwame administration into</p> <p>8 alternative -- what you would call alternative</p> <p>9 investment vehicles; the -- the smoothing that had</p> <p>10 occurred and the stretching out of the unfunded</p> <p>11 obligations over a relatively 30-year period. But</p> <p>12 the -- this really comes from that conversation.</p> <p>13 Q. Okay. So, it is your testimony that</p> <p>14 the retirement systems themselves told you that</p> <p>15 they utilized an unrealistic rate of return</p> <p>16 assumption?</p> <p>17 A. The people that I met with, I believe</p> <p>18 it's in your offices at -- across the street from</p> <p>19 the KMAK.</p> <p>20 Q. And who --</p> <p>21 A. Shared with me.</p> <p>22 Q. Someone specifically on behalf of</p> <p>23 retirement system opined to you that they --</p> <p>24 A. Mr. Overbeke (sic) and Mr. -- and I</p> <p>25 think it was -- the gentleman who was a lawyer,</p>
<p style="text-align: right;">Page 536</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. I do.</p> <p>3 Q. With respect to your contention that</p> <p>4 the systems used questionable investment</p> <p>5 strategies that resulted in considerable</p> <p>6 underfunding, you don't cite any particular third</p> <p>7 party in a footnote as you have in other sections.</p> <p>8 Do you see that?</p> <p>9 A. There is no footnote related to that</p> <p>10 paragraph.</p> <p>11 Q. Okay. So what did you rely on in</p> <p>12 reaching this conclusion?</p> <p>13 A. This -- a lot what -- the</p> <p>14 conversation that I had with Mr. Clark -- we can</p> <p>15 go back to my log and I -- I am sorry to say I</p> <p>16 have forgotten all of the people were -- that were</p> <p>17 at that meeting, but I was at a meeting with both</p> <p>18 retirement systems, their counsel and their</p> <p>19 lawyers at Clark Hill, very shortly after I was</p> <p>20 retained in this matter.</p> <p>21 And it was during that -- here it is</p> <p>22 -- Robert Gordon, Joseph Turner, Ronald King,</p> <p>23 Michael VanOverbeke, those individuals, I had a</p> <p>24 meeting with them.</p> <p>25 And then subsequently I know people</p>	<p style="text-align: right;">Page 538</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 but is also general counsel now for the funds.</p> <p>3 Q. Michael VanOverbeke?</p> <p>4 A. He's one of them --</p> <p>5 Q. Or Joe Turner?</p> <p>6 A. I think it's Joe Turner.</p> <p>7 Q. What I'm trying to get at, your</p> <p>8 testimony is that during that meeting they</p> <p>9 specifically told you --</p> <p>10 A. About --</p> <p>11 Q. -- that they believed --</p> <p>12 MR. KANE: Wait for her to finish.</p> <p>13 Q. Let me finish the question.</p> <p>14 -- that there was an unrealistic rate</p> <p>15 of return assumption that was utilized by the</p> <p>16 system? Or is that your extrapolation based on</p> <p>17 what was said at the meeting?</p> <p>18 A. The -- we talked very specifically</p> <p>19 about the recent history of losses, investment</p> <p>20 losses at the retirement system; how they had used</p> <p>21 a seven-year smoothing period to make the</p> <p>22 shortfalls less obvious; how they had implied</p> <p>23 amortization periods that were extended for</p> <p>24 funding the unfundeds; and how all of that ended</p> <p>25 up creating, you know, again, a perception or a</p>

30 (Pages 535 to 538)



1 - MARTI KOPACZ - VOLUME II-  
2 reality of the underfunding of the plans. As well  
3 as the 13 checks and those sorts of things. We  
4 talked about all of that.

5 Q. Do you have any understanding of what  
6 would be a typical smoothing period utilized by  
7 other public pension plans?

8 A. I don't.

9 Q. So if someone from the retirement  
10 systems told you that a seven-year smoothing  
11 period was used, you would have no basis to  
12 compare that with other plans to know if that was  
13 typical?

14 A. I would -- I would have to undertake  
15 to research that. I wouldn't have my own  
16 independent knowledge of what that was.

17 Q. Same with amortization period  
18 utilized by public pension systems. Would you  
19 have any basis to know whether a 20-year  
20 amortization period versus a 30-year amortization  
21 period.

22 A. Or a ten or a five. No, I would not.

23 Q. Okay. So just to narrow it down, we  
24 told you certain facts -- when I say "we," the  
25 retirement systems gave you certain facts about

1 - MARTI KOPACZ - VOLUME II-  
2 the smoothing period used and amortization period  
3 used. And then you extrapolated an opinion that  
4 based on that there were unrealistic rate of  
5 return assumptions and questionable investment  
6 strategy?

7 A. No. What my question in the meeting,  
8 right, to start, one of my basic questions would  
9 be, okay, how did these things get in this  
10 condition. Right.

11 Q. Who else from your team attended this  
12 meeting?

13 A. At that meeting, just myself.

14 Q. In the second meeting?

15 A. Then there were -- there were --  
16 second meeting, there were some calls that would  
17 have involved Michael Gaul, Bob Childree, maybe  
18 Brian Gleason. I don't know. I would think they  
19 would be in the log.

20 Q. What are Mr. Gaul and Mr. Childree's  
21 particular experience as relates to pensions,  
22 public pensions?

23 A. I don't know that Michael has any  
24 specific experience. Mr. Childree is very  
25 experienced with public pensions, having been the

1 - MARTI KOPACZ - VOLUME II-  
2 comptroller of the State of Alabama for 23 years  
3 and the former president of the Government Finance  
4 Officers Association for a number of years. And I  
5 believe he's -- he is a current advisor or recent  
6 past advisor to the GASB, the Government  
7 Accounting Standards Board on these matters.

8 Q. Do you know -- I'm sorry -- do you  
9 know if either one has any actuarial experience?

10 A. I don't believe either has actuarial  
11 experience.

12 Q. Do you know if either has sat on a  
13 board for a public pension system?

14 A. I believe Mr. Childree has.

15 Q. Do you know how long the meeting  
16 between Mr. Gaul, Mr. Childree and the retirement  
17 systems lasted?

18 A. I don't.

19 Q. In reaching your conclusion on Page  
20 127, I believe you testified this morning that you  
21 never looked at the investment policies for the  
22 system.

23 A. I did not.

24 Q. Do you know if your team looked at  
25 those?

1 - MARTI KOPACZ - VOLUME II-

2 A. I don't know.

3 Q. Do you or your team -- do you know if  
4 you or your team looked at the historical asset  
5 allocation mix for the system?

6 A. I believe someone did, yes.

7 Q. Okay. Do you know where those are  
8 listed on the chart of documents that you looked  
9 at?

10 A. I don't.

11 Q. The underfunding issue that is spoken  
12 about in this paragraph, was that discussed only  
13 at the meeting with you and a representative of  
14 the retirement systems or was it discussed at the  
15 meeting with Mr. Gaul and Mr. Childree as well?

16 A. I'm sure it was discussed at all of  
17 the meetings.

18 Q. Did you or your team consult with any  
19 of the systems investment consultants in reaching  
20 this conclusion?

21 A. I -- I believe that Mr. Gaul and/or  
22 Mr. Childree participated in meetings or calls  
23 with the pensions' advisors, the pension systems'  
24 advisors.

25 Q. Do you know who NEPC is?

1 - MARTI KOPACZ - VOLUME II-

2 A. I don't.

3 Q. Do you know who Wilshire Investments  
4 is?

5 A. Only just -- I don't know them  
6 specifically.

7 Q. Do you know their role within the  
8 system --

9 A. I know --

10 MR. KANE: Wait for her to finish.

11 We're getting close to the goal line, if you  
12 want to get out. We're still going to get  
13 their steadily.

14 THE WITNESS: We're still going to  
15 get there.

16 BY MS. GREEN:

17 Q. Do you know if those are the  
18 investment consultants that your team would have  
19 met with?

20 A. I don't know.

21 Q. Do you know if anyone from your team  
22 met with the chief investment officer for the  
23 retirement systems?

24 A. I don't know.

25 Q. Does the name Ryan Bigelow ring a

1 - MARTI KOPACZ - VOLUME II-

2 specific ones that are set forth at the  
3 beginning of the report.

4 THE WITNESS: Right.

5 BY MS. GREEN:

6 Q. I guess what I'm trying to ask is,  
7 they told you certain facts about amortization  
8 periods, smoothing, things of that nature. You  
9 just stated you have no basis to compare those to  
10 anything. So my question --

11 A. I relied --

12 Q. -- is, how do you know they're  
13 questionable practices?

14 A. I relied on what the general counsel  
15 of the two systems told me.

16 Q. Your testimony is that he used the  
17 word "questionable practices" about his own  
18 client?

19 A. They are talking about the systems  
20 prior to when those people got involved.

21 Q. You're saying before they had any  
22 personal knowledge they were speaking of prior  
23 history?

24 A. My question was, how did the system  
25 get to this point? Okay? But I believe Mr.

1 - MARTI KOPACZ - VOLUME II-

2 bell?

3 A. It does not.

4 Q. Would it be fair to say if I didn't  
5 see his name on any of the meeting lists or  
6 communications logs, that you did not consult with  
7 Mr. Bigelow prior to reaching a conclusions about  
8 the investment practices of the system?

9 A. That's probably correct.

10 Q. You testified earlier under  
11 questioning from Mr. Wagner that you had no  
12 particular quarrel with the asset mix and that you  
13 did not actually analyze the asset mix?

14 A. That's correct.

15 Q. Okay. So if you didn't look at the  
16 asset mix, what else did you base your opinion on  
17 that the systems investment strategy is  
18 questionable?

19 A. The representations that were made in  
20 the meeting that I personally had in your offices  
21 with the pension system representatives.

22 MR. KANE: Can I interject something  
23 similar to what I did yesterday. I don't  
24 quarrel with the term "opinion" as long as  
25 it's little O, recognizing her opinions are

1 - MARTI KOPACZ - VOLUME II-

2 Turner and Mr. Overbeke are new to the systems in  
3 their role as both lawyers and general counsel.  
4 Okay?

5 I am not talking about the systems  
6 today moving forward. I am talking about how did  
7 the systems get in this underfunded predicament.

8 Q. Do you understand generally that  
9 retirement systems were fully funded as of 2007?

10 A. I don't know when they were last  
11 fully funded.

12 Q. Did you know that according to, for  
13 instance, the general retirement system's annual  
14 actuarial report from June 30th, 2008, that it was  
15 101 percent funded?

16 A. I don't know that.

17 Q. In 2008?

18 A. I don't care about that.

19 Q. Okay. Why wouldn't you care about  
20 when the time of underfunding occurred?

21 A. I care about the impact the  
22 underfunded systems have on the plan of adjustment  
23 and the City's obligations to fund pensions going  
24 forward.

25 Q. If you flip to the next page of your

<p style="text-align: right;">Page 547</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 report, Page 128.</p> <p>3 A. Uh-huh.</p> <p>4 Q. There is a statement, "In addition to</p> <p>5 issues involving the aggressiveness of the rave</p> <p>6 return assumption used to determine funding</p> <p>7 levels, also contributing to the increase of the</p> <p>8 UAAL were a number of questionable activities</p> <p>9 engaged in by the retirement system."</p> <p>10 Do you see that part?</p> <p>11 A. I do.</p> <p>12 Q. At the -- there's several bullet</p> <p>13 points.</p> <p>14 A. Uh-huh.</p> <p>15 Q. At the bottom, there's a footnote.</p> <p>16 A. Yes.</p> <p>17 Q. And it appears to be referring to the</p> <p>18 Charles Moore declaration that was filed as docket</p> <p>19 number 13 on the docket in the bankruptcy case.</p> <p>20 Do you see that?</p> <p>21 A. Yes.</p> <p>22 Q. Did everything in this paragraph, the</p> <p>23 breakdown of bullet points, come from the Chuck</p> <p>24 Moore declaration?</p> <p>25 A. I believe it did.</p>	<p style="text-align: right;">Page 549</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 where you got that information? Is that from the</p> <p>3 Moore declaration or is that from conversations?</p> <p>4 A. Okay. Let me clarify this. The</p> <p>5 information that is in the first bullet is</p> <p>6 information that I got from my initial meeting</p> <p>7 with the systems -- with the pension systems.</p> <p>8 Okay? It is the same information that my team</p> <p>9 generally got from their meetings, conversations</p> <p>10 and diligence. Okay?</p> <p>11 What we chose to do in the report is</p> <p>12 to use the precise verbiage that Mr. Moore used.</p> <p>13 Okay?</p> <p>14 Q. Okay. And the next sub bullet point,</p> <p>15 that begins with "using actual market returns..."</p> <p>16 A. Yes.</p> <p>17 Q. Is that also from the Chuck Moore --</p> <p>18 A. This is all from the Chuck Moore.</p> <p>19 Q. Okay. And the next paragraph that</p> <p>20 begins "GRS trustees..."</p> <p>21 A. Yes.</p> <p>22 Q. That's also from Moore?</p> <p>23 A. Yes.</p> <p>24 Q. And the next bullet point which</p> <p>25 begins, "The City periodically deferred..."</p>
<p style="text-align: right;">Page 548</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. So you wouldn't have any personal</p> <p>3 knowledge or you didn't do any investigation into</p> <p>4 the facts that are listed in bullet point fashion</p> <p>5 from Pages 128 to 129?</p> <p>6 A. No, that's not correct.</p> <p>7 Q. You do have personal knowledge?</p> <p>8 A. I -- I talked with -- at my initial</p> <p>9 meeting with the systems, the pension systems, we</p> <p>10 talked about all of these issues. I've talked</p> <p>11 about them on a conference call with Mr. Miller</p> <p>12 from Jones Day. Okay? I've talked to Mr. Moore</p> <p>13 about these issues. I attended the employee new</p> <p>14 pension plan meeting in which these topics got</p> <p>15 raised in terms of the 13 check program and the</p> <p>16 ASF.</p> <p>17 So, these -- these are -- we chose to</p> <p>18 use the verbiage that Mr. Moore had used in his</p> <p>19 declaration. But separate and apart, I and</p> <p>20 members of my team have had discussions about</p> <p>21 these facts and issues, if you will, with several</p> <p>22 other people involved.</p> <p>23 Q. Let's go through them one by one.</p> <p>24 A. Sure.</p> <p>25 Q. The first bullet point, do you know</p>	<p style="text-align: right;">Page 550</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 that's from Chuck Moore as well?</p> <p>3 A. Yes.</p> <p>4 Q. And the last paragraph that says,</p> <p>5 "Retirement system officials have been accused or</p> <p>6 indicted of material fiduciary misconducts</p> <p>7 allegedly during the pension of necessary</p> <p>8 liquidity and contributing to the underfunding of</p> <p>9 the retirement systems."</p> <p>10 Was that also from the Chuck Moore</p> <p>11 Affidavit?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. Let's take a look at the --</p> <p>14 MS. GREEN: I think it will be</p> <p>15 Exhibit 10, I could be way off. Exhibit 10.</p> <p>16 (Whereupon, Kopacz Exhibit 10 was</p> <p>17 marked at this time.)</p> <p>18 Q. Okay. Footnote 47 states that the --</p> <p>19 MR. BLANCHARD: What document is</p> <p>20 that?</p> <p>21 MS. GREEN: The Chuck Moore</p> <p>22 declaration.</p> <p>23 MR. BLANCHARD: Thanks.</p> <p>24 BY MS. GREEN:</p> <p>25 Q. Footnote 47 states that the Chuck</p>

33 (Pages 547 to 550)

<p style="text-align: right;">Page 551</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Moore declaration, Page 10, is what is being</p> <p>3 relied upon for all of those statements that we</p> <p>4 just went through.</p> <p>5 A. Okay.</p> <p>6 Q. If you flip to Page 10 of his</p> <p>7 declaration, take time to review it, do you see</p> <p>8 anything where Chuck Moore states that retirement</p> <p>9 system officials have been accused or indicted of</p> <p>10 any type of fiduciary misconduct?</p> <p>11 A. I don't see anything on Page 10 of</p> <p>12 this document that is in this verbiage. This</p> <p>13 looks like this is an error at some point.</p> <p>14 Q. Okay. Do you see anything in the</p> <p>15 affidavit -- in his declaration that discusses</p> <p>16 alleged --</p> <p>17 A. This is -- I'll be honest with you,</p> <p>18 this is not the declaration that I thought we were</p> <p>19 citing. It is a much, much thicker document from</p> <p>20 Chuck Moore.</p> <p>21 Q. Do you agree that it says docket</p> <p>22 number 13 at the bottom?</p> <p>23 A. I absolutely agree that's what this</p> <p>24 says and that's what this looks like in terms of</p> <p>25 what you've handed to me. But I don't believe</p>	<p style="text-align: right;">Page 553</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 accused of wrongdoing. And my recollection is</p> <p>3 that some of them were or were going to jail or</p> <p>4 something along that way -- line.</p> <p>5 Q. Who do you contend from the systems</p> <p>6 told you that these accusations or indictments</p> <p>7 actually led to what you state in here was</p> <p>8 draining the pension of necessary liquidity?</p> <p>9 A. Like I said, I don't -- I am</p> <p>10 struggling because I believe there is a citation</p> <p>11 error in this report.</p> <p>12 THE VIDEOGRAPHER: Excuse me. You're</p> <p>13 rubbing your mike, it's --</p> <p>14 MS. GREEN: Sorry, I think it's my</p> <p>15 hair touching it.</p> <p>16 THE VIDEOGRAPHER: Sorry about the</p> <p>17 interruption.</p> <p>18 A. Right, I apologize. I don't believe</p> <p>19 that what you showed me as docket number 13, okay,</p> <p>20 does not comport with what we have cited as the</p> <p>21 source of this verbiage. Okay?</p> <p>22 I have -- all of these points were</p> <p>23 communicated, okay, to me by people, all right,</p> <p>24 not the -- definitely not this document. Okay.</p> <p>25 So, there's a -- there is an error.</p>
<p style="text-align: right;">Page 552</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 this verbiage came from this declaration.</p> <p>3 Q. Okay.</p> <p>4 A. I think there -- again, there is a</p> <p>5 very -- there is a much more -- there's a thick,</p> <p>6 like -- hundred page Chuck Moore document that I</p> <p>7 believe should be cited down here, must be because</p> <p>8 this isn't it.</p> <p>9 Q. So you think this is an error?</p> <p>10 A. This is an error. This is not --</p> <p>11 this is -- yeah, there's something --</p> <p>12 Q. Aside from the Chuck Moore</p> <p>13 declaration, assuming you find the proper</p> <p>14 document, do you have any other basis or personal</p> <p>15 knowledge to make the statement that is the last</p> <p>16 bullet point?</p> <p>17 A. I was told that, again, during the</p> <p>18 meeting with the pension systems in your office.</p> <p>19 Q. You were told --</p> <p>20 A. That --</p> <p>21 Q. -- that -- let me finish the</p> <p>22 question -- that these activities actually caused</p> <p>23 the underfunding to the systems?</p> <p>24 A. I'm not -- I was told that there were</p> <p>25 people involved in the pension systems who were</p>	<p style="text-align: right;">Page 554</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 There is a -- there's some mistake here and I</p> <p>3 don't know what it is, I will obviously get to the</p> <p>4 bottom of it. But the -- the verbiage that's</p> <p>5 here, by and large comports with my understanding</p> <p>6 of at least some of the reasons why the pension</p> <p>7 systems and funds became underfunded.</p> <p>8 Q. Do you know when these indictments or</p> <p>9 these breaches of fiduciary duty occurred?</p> <p>10 A. Sometime prior to the bankruptcy.</p> <p>11 Q. Do you know who or which individuals</p> <p>12 are being referenced in this bullet point?</p> <p>13 A. I would -- I wouldn't have any</p> <p>14 knowledge of who they were.</p> <p>15 Q. The portion of that sentence that</p> <p>16 states that that activity contributed to the</p> <p>17 underfunding of the retirement systems, is it your</p> <p>18 testimony that someone from the retirement systems</p> <p>19 actually told you that their underfunding was due</p> <p>20 to the activities listed in this paragraph?</p> <p>21 A. I don't have a specific recollection</p> <p>22 of the -- of this statement. Like I said, I am</p> <p>23 generally aware of all of the points that are made</p> <p>24 in these bullets. Okay. Rather than write our</p> <p>25 own language, we chose to use someone else's</p>

34 (Pages 551 to 554)

- MARTI KOPACZ - VOLUME II-

declaration which has been incorrectly cited.

Q. So what I'm trying to get at are you really relying on the Chuck Moore declaration or are you relying on statements from people within the system?

A. I'm relying on statements from within the system, right. And I believe my intent was to have -- to use verbiage that was already part of the proceedings.

Q. Okay. Did you take notes, handwritten notes at this meeting?

A. I don't recall.

Q. If the attendees from the retirement systems disagreed with your characterization that they ever told you that these activities led to draining of pension fund liquidity or contributing to the underfunding, would you have specific recollection to be able to refute that?

A. I -- like I said, I don't know. I have -- I don't know what I -- I haven't looked at this for a long time. I'm sorry.

Q. Okay. Did you attempt to quantify the actual economic impact that you attribute to this misconduct?

- MARTI KOPACZ - VOLUME II-

A. I did not.

Q. Did you ever speak to Chuck Moore about this portion of his declaration, the larger one, I suppose?

A. I have talked to Chuck Moore and members of my team have talked to Chuck Moore extensively about pensions and all of these issues.

Q. Did you independently verify the four or five bullet points that are here?

A. Okay. I've just explained to you that my instructions to my team were to cite information that already existed on the record. Okay. This is an error. I don't know how many times I have to say this. Okay?

Q. So it's a no?

A. The answer is, I -- when I read this I said, I want this cited. Right? Because I would -- I'm sure I would have written it differently. I probably wouldn't have put it in a bullet format. Okay?

Q. So if it is an error and it's not in the Chuck Moore declaration and it may be in the other one and you don't have independent specific

- MARTI KOPACZ - VOLUME II-

recollection, is it something you feel comfortable leaving in your report as part of your conclusion?

A. I don't know until I can figure out why a document is cited in error. I can't answer that question.

Q. You stated earlier that you didn't think it was important to know the timing of the underfunding.

A. I don't.

Q. And why is that? Can you explain that a little more?

A. I am only tasked with looking at the feasibility of the plan going forward.

Q. So if your testimony was that any sort of alleged misconduct with regard to questionable investment strategies occurred during the Kwame Kilpatrick administration, do you understand what time period that would be from?

A. It would be -- yes, it would be back before the Bing administration.

Q. So after the Kwame Kilpatrick administration, you do understand the systems were then fully funded, correct?

A. I don't know that.

- MARTI KOPACZ - VOLUME II-

Q. Okay. In your report you seem to opine on the cause of the underfunding as you seem to be attributing it to certain questionable investment strategies. That's why I'm asking about the timing of when we became underfunded.

So I just want to clarify, you have no idea when the systems became underfunded, correct?

A. As I sit here today, I do not know the specific date when the funds -- the pension systems became underfunded.

Q. And I believe there was some testimony yesterday in your deposition regarding the Great Recession and it's impact on the City of Detroit. And if I used the phrase the Great Recession, do you understand I generally mean the economic downturn from 2008 to 2009?

A. Yes.

Q. Do you know who Tom Terry is?

A. I don't.

Q. I believe that Mr. Neal asked you during questioning whether you intended to review the expert reports that were issued by all of the experts in this case?

<p style="text-align: right;">Page 559</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. I may.</p> <p>3 Q. Okay. Are you aware that Mr. Terry</p> <p>4 has been named as an expert related to pension</p> <p>5 issues in this case?</p> <p>6 A. I don't.</p> <p>7 Q. Would you have a basis to disagree</p> <p>8 with Mr. Terry's conclusion that upon examination</p> <p>9 it is clear that the GRS UAAL is largely</p> <p>10 attributable to adverse investment experience</p> <p>11 since 2007, and not due to any sort of systemic or</p> <p>12 deliberate underfunding of the plan caused by the</p> <p>13 actuarial funding policy?</p> <p>14 A. I have no idea.</p> <p>15 Q. Would you have a basis to disagree</p> <p>16 with his statement that due in large part to the</p> <p>17 actuarial losses experienced in the severe</p> <p>18 economic downturn from 2008 to 2009, the GRS's</p> <p>19 UAAL has since grown substantially and that this</p> <p>20 increase is largely due to the unforeseen</p> <p>21 investment performance in fiscal years 2008 and</p> <p>22 2009?</p> <p>23 A. I have no idea.</p> <p>24 Q. Would you have a basis to disagree</p> <p>25 with his conclusion that the current underfunding</p>	<p style="text-align: right;">Page 561</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 that's speaking. Can you mute your phone,</p> <p>3 please.</p> <p>4 Q. If Mr. Ecochinco opines that the fact</p> <p>5 is that the unpredictable severe turn down in</p> <p>6 investment market returns brought about by the</p> <p>7 2008, 2009 decline in global equity values is the</p> <p>8 key reason for the increase in the UAAL, would you</p> <p>9 have a basis to disagree with that?</p> <p>10 A. I have no idea.</p> <p>11 Q. Would you have a reason to disagree</p> <p>12 with Mr. Bigelow, who we spoke about earlier, the</p> <p>13 chief investment officer for the systems, if he</p> <p>14 were to testify that the predominant cause of the</p> <p>15 systems in underfunding was also was the Great</p> <p>16 Recession? Would you have a basis to disagree</p> <p>17 with that?</p> <p>18 A. I don't know.</p> <p>19 Q. You were presented earlier with a</p> <p>20 chart showing return rates. I think it's Exhibit</p> <p>21 4. Prior to seeing this document, were you aware</p> <p>22 of the year-to-year funding -- or, I'm sorry,</p> <p>23 assumed rate of return -- returns achieved by the</p> <p>24 systems?</p> <p>25 A. I am -- I was aware of the assumed</p>
<p style="text-align: right;">Page 560</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 liability is not the result of, as the City</p> <p>3 claims, alleged systematic underfunding over the</p> <p>4 last several decades, but instead, is largely due</p> <p>5 to the Great Recession?</p> <p>6 A. I have no idea.</p> <p>7 Q. Would you have a basis to disagree</p> <p>8 with his conclusion that GRS's experience is</p> <p>9 hardly unique, pension plans and other</p> <p>10 institutions across the country had similar</p> <p>11 experiences?</p> <p>12 A. I don't know.</p> <p>13 Q. Are you familiar with the expert</p> <p>14 report issued by Joseph Ecochinco on behalf of</p> <p>15 Oakland County?</p> <p>16 A. No.</p> <p>17 Q. Would that be one of the expert</p> <p>18 reports that you would perhaps review?</p> <p>19 A. Maybe.</p> <p>20 Q. Do you understand that Mr. Ecochinco</p> <p>21 has been retained as a pension issues related</p> <p>22 person?</p> <p>23 A. I have no knowledge of that.</p> <p>24 MR. LERNER: Excuse me. There's</p> <p>25 someone on the telephone at the deposition</p>	<p style="text-align: right;">Page 562</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 rate of return.</p> <p>3 Q. I'm sorry, like the year to year,</p> <p>4 what was actually achieved, the actual investment</p> <p>5 experience on behalf of the systems?</p> <p>6 A. I have seen information like that</p> <p>7 before.</p> <p>8 Q. Okay. Can I draw your attention to</p> <p>9 the 2008 line?</p> <p>10 A. Yes, I see that.</p> <p>11 Q. For GRS it shows investment loss of</p> <p>12 negative 25.65.</p> <p>13 Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. For PRFS, it's 24.63 loss?</p> <p>16 A. That's correct.</p> <p>17 Q. Do you have an understanding of what</p> <p>18 typical losses were to other public pension</p> <p>19 systems in the year 2008 due to the Great</p> <p>20 Recession?</p> <p>21 A. I have not looked at that right now.</p> <p>22 Q. Did you consult any publications or</p> <p>23 studies to compare how the Detroit retirement</p> <p>24 systems fared compared to other public pension</p> <p>25 systems?</p>

36 (Pages 559 to 562)

<p style="text-align: right;">Page 563</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 A. I did not.</p> <p>3 Q. Do you think that that would be</p> <p>4 relevant to your conclusion that questionable</p> <p>5 investment strategies were utilized by the</p> <p>6 systems, would that cause their underfunding?</p> <p>7 A. I am -- as I said, before I am</p> <p>8 reciting information that I received from pension</p> <p>9 system people. Okay. And what is important to me</p> <p>10 is the level of underfunding in the pension</p> <p>11 systems as of the filings and today and how that</p> <p>12 is going to be dealt with in the future.</p> <p>13 Q. And you understand that the</p> <p>14 underfunding as of the filing, if we look at this</p> <p>15 document --</p> <p>16 A. Which document?</p> <p>17 Q. Exhibit 4.</p> <p>18 A. This doesn't give anything on</p> <p>19 underfunding.</p> <p>20 Q. I understand that. You already</p> <p>21 stated you didn't know that it was fully funded in</p> <p>22 2000 -- the end of 2007, correct?</p> <p>23 A. I don't know one way or another.</p> <p>24 Okay?</p> <p>25 Q. Okay. Did you review any data from</p>	<p style="text-align: right;">Page 565</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 one that you recall looking at?</p> <p>3 A. I -- I have not looked at this.</p> <p>4 Q. Okay. The title of the document is</p> <p>5 Public Funds Survey Summary of Findings for Fiscal</p> <p>6 Year 2008. It was released in 2009.</p> <p>7 If you go to Page 2 on the left-hand</p> <p>8 column, in the second paragraph it states: "The</p> <p>9 market decline in 2008 resulted in a median</p> <p>10 investment return for public pension funds of</p> <p>11 negative 25.3 percent for the year."</p> <p>12 Do you see that portion?</p> <p>13 A. I do, it's highlighted.</p> <p>14 Q. And in comparison to the investment</p> <p>15 losses that were incurred by the Detroit</p> <p>16 retirement systems in 2008, if you compare those</p> <p>17 to Exhibit 4, does it appear that our investment</p> <p>18 losses were actually in line with the median</p> <p>19 investment losses for other public pensions?</p> <p>20 A. The numbers appear to be similar,</p> <p>21 yes.</p> <p>22 Q. If the systems fared in line with</p> <p>23 what other public pension -- how other public</p> <p>24 pension systems performed, does that change your</p> <p>25 opinion at all as to whether questionable</p>
<p style="text-align: right;">Page 564</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 the United States Census Bureau related to public</p> <p>3 pensions?</p> <p>4 A. I did not personally, no.</p> <p>5 Q. You testified earlier that you were</p> <p>6 not familiar with NCPERS -- it was used earlier,</p> <p>7 it's N-C-P-E-R-S. Mr. Wagner showed you a</p> <p>8 document I believe from NCPERS.</p> <p>9 A. He did.</p> <p>10 Q. Are you familiar with the</p> <p>11 organization NASRA?</p> <p>12 A. I am -- yes, I am familiar with that</p> <p>13 trade association because we used some of their</p> <p>14 information.</p> <p>15 Q. Did you happen to consult the public</p> <p>16 funding survey for fiscal year 2008 published by</p> <p>17 NASRA?</p> <p>18 A. I would have no need to do that.</p> <p>19 MS. GREEN: Okay. I'm going to mark</p> <p>20 this as Exhibit 11.</p> <p>21 (Whereupon, Kopacz Exhibit 11 was</p> <p>22 marked at this time.)</p> <p>23 BY MS. GREEN:</p> <p>24 Q. So you stated you may have looked at</p> <p>25 some NASRA publications. But this one -- is this</p>	<p style="text-align: right;">Page 566</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 investment strategies are what caused their</p> <p>3 underfunding?</p> <p>4 A. Ms. Green, with all due respect,</p> <p>5 okay, I really don't, at the end of the day, care</p> <p>6 about how they got underfunded. Okay? They are</p> <p>7 underfunded. There is treatment in the Plan of</p> <p>8 Reorganization -- Plan of Adjustment that I have</p> <p>9 to assess relative to feasibility.</p> <p>10 I understand you and your client</p> <p>11 really don't like the verbiage that's in my</p> <p>12 report. Okay? I get that. But I simply don't</p> <p>13 care about how they got there. I only care about</p> <p>14 where they are today and what's going -- what</p> <p>15 their treatment is in the Plan of Adjustment.</p> <p>16 So I am not going to have any</p> <p>17 opinion, any point of view, any perspective on</p> <p>18 anything that happened in 2008, 2007, 1997 or</p> <p>19 whatever.</p> <p>20 Q. So would you agree with me that the</p> <p>21 portion of your report on pages 127 and 128 is</p> <p>22 largely irrelevant?</p> <p>23 MR. KANE: Objection. You can</p> <p>24 answer.</p> <p>25 A. It is a recitation of what I believed</p>

37 (Pages 563 to 566)

1 - MARTI KOPACZ - VOLUME II-  
2 at the time to be, arguably, facts.

3 Q. If we looked at the facts today that  
4 appear to not support what's in your report, and  
5 as Mr. Neal asked you previously, will you be  
6 reissuing a report or supplementing your report or  
7 changing any parts of your analysis based on new  
8 facts that you've learned either from --

9 MR. BLANCHARD: Objection.

10 A. I don't think so -- I don't believe  
11 that any of the items that are cited on Page 128  
12 and 129 are significantly materially incorrect.  
13 Okay? And they are simply words to help the  
14 reader appreciate some of the reasons that the  
15 pension funds today are underfunded.

16 Q. Did you do an analysis of how much  
17 the City owes in unpaid annual employer  
18 contributions to each of the systems and how that  
19 impacted the underfunding?

20 A. I'm sorry. Could you repeat that?

21 (The requested question was read back  
22 by the reporter.)

23 A. I don't know the answer to that.

24 THE VIDEOGRAPHER: We have to change  
25 tape.

1 - MARTI KOPACZ - VOLUME II-

2 MS. GREEN: I think it's time to  
3 change tape.

4 THE VIDEOGRAPHER: Thank you. The  
5 time now is approximately 12:30 p.m. We're  
6 going off the record. This is the end of  
7 Disk Number 2.

8 (Whereupon, there was a brief recess  
9 in the proceedings.)

10 THE VIDEOGRAPHER: The time now is  
11 approximately 12:37 p.m. We're back on the  
12 record. This is the beginning of Disk  
13 Number 3.

14 EXAMINATION BY MR. ALBERTS:

15 Q. Good afternoon, Ms. Kopacz.

16 A. Good morning. Good afternoon.

17 Q. I think we just passed the noon hour.

18 My name is Sam Alberts, I'm from  
19 Dentons and I represent the official committee of  
20 retirees. I just have a few questions and I think  
21 I may be the last one here so hopefully we can get  
22 you out of here.

23 A. Okay.

24 Q. Ms. Kopacz, you -- when you conducted  
25

1 - MARTI KOPACZ - VOLUME II-

2 interviews, was it your practice to take notes?

3 A. Yes.

4 Q. Okay. And did you retain your notes  
5 for the meetings you had?

6 A. For the most part, yes.

7 Q. Do you know if that was true of the  
8 others in your group?

9 A. I don't know.

10 Q. Okay. Very good.

11 Now, with respect to your report,  
12 there is a mention -- and I will tell you I don't  
13 know where it is -- of OPEB?

14 Do you understand what OPEB is?

15 A. I do.

16 Q. It's basically healthcare that is  
17 being provided to employees and retirees; is  
18 that --

19 A. Other healthcare and other  
20 insurances.

21 Q. Okay. Other post-employment --

22 A. Employment benefits, right.

23 Q. Okay. Do you understand how the  
24 fourth amended and now the fifth amended Plan of  
25 Adjustment treats OPEB obligations?

1 - MARTI KOPACZ - VOLUME II-

2 A. I haven't read the fifth. The  
3 fourth, yes.

4 Q. Okay.

5 A. Yes.

6 Q. Okay. And what is your understanding  
7 of the treatment of OPEB for retirees?

8 A. For people who are retirees,  
9 generally eliminated.

10 Q. Do you understand that there will be  
11 money placed into VEBAs for those people?

12 V-E-B-A, all caps, which I believe is  
13 stands for Voluntary Employment Benefits  
14 Association.

15 A. Yes.

16 Q. Did you consider the payment of  
17 towards those VEBAs in your analysis of  
18 feasibility?

19 A. I believe those payments are included  
20 in the City's projections.

21 Q. Okay. Did you find that the amount  
22 affect -- payment paying toward VEBAs affected  
23 feasibility in your view?

24 A. I don't recall that it did.

25 Q. Okay. All right. If it had been a



<p style="text-align: right;">Page 571</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 concern, do you think you would have listed that</p> <p>3 in your report?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. Did you speak with anybody</p> <p>6 from Siegel Consulting in -- in creating your</p> <p>7 report?</p> <p>8 A. I did not.</p> <p>9 Q. Okay. Do you know who Siegel</p> <p>10 Consulting is?</p> <p>11 A. I do not.</p> <p>12 MR. ALBERTS: Okay. I have no</p> <p>13 further questions.</p> <p>14 MR. KANE: I want to ask you just a</p> <p>15 couple of questions for the record, just to</p> <p>16 clean up a couple of things.</p> <p>17 EXAMINATION BY MR. KANE:</p> <p>18 Q. So one is you were asked yesterday</p> <p>19 about prior expert testimony.</p> <p>20 Do you remember that?</p> <p>21 A. I was. I do.</p> <p>22 Q. To your knowledge, is your prior</p> <p>23 expert testimony was that disclosed in your</p> <p>24 application that was filed with the Court?</p> <p>25 A. It was.</p>	<p style="text-align: right;">Page 573</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Is that what you did?</p> <p>3 A. That is what I did.</p> <p>4 Q. Paragraph 3, I'm going to paraphrase,</p> <p>5 says you're not supposed to do anything else</p> <p>6 unless the Court orders you to do it.</p> <p>7 Do you agree with that</p> <p>8 characterization?</p> <p>9 A. Yes. Paragraph 2 above, are the only</p> <p>10 matters that the Court's expert is authorized --</p> <p>11 authorized to investigate, reach a conclusion on</p> <p>12 or testify about.</p> <p>13 Q. Has the Court ever ordered you to</p> <p>14 prepare your own financial projections for the</p> <p>15 City or take the data underlying the City's</p> <p>16 financial projections and apply other valuation</p> <p>17 methodologies, approaches -- I should say</p> <p>18 projection or forecasting methodologies or</p> <p>19 approaches to it?</p> <p>20 A. No.</p> <p>21 MR. KANE: Thank you. That's it.</p> <p>22 THE VIDEOGRAPHER: Anybody on the</p> <p>23 phone have any questions?</p> <p>24 Okay. Thank you. This concludes the</p> <p>25 August 1st, 2014 videotaped deposition of</p>
<p style="text-align: right;">Page 572</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Q. Okay. You were asked yesterday about</p> <p>3 not preparing your own financial projections and</p> <p>4 not taking the data underlying the City's</p> <p>5 projections and applying other methodologies or</p> <p>6 approaches or pharmaceutical double blind issues</p> <p>7 to them.</p> <p>8 Do you remember that?</p> <p>9 A. I do.</p> <p>10 Q. Take out Exhibit 2 to your</p> <p>11 deposition.</p> <p>12 So, look at Paragraph 2B. And what</p> <p>13 is -- what is that -- Exhibit 2 is the order</p> <p>14 appointing you as the Court's independent expert,</p> <p>15 correct?</p> <p>16 A. Yes.</p> <p>17 Q. What does Paragraph 2B direct you to</p> <p>18 do with respect to the financial projections?</p> <p>19 Can you just read it?</p> <p>20 A. Yes. "The Court's expert witness</p> <p>21 shall investigate and reach a conclusion on, B,</p> <p>22 whether the assumptions that underlie the City's</p> <p>23 cash flow projections and forecasts regarding its</p> <p>24 revenue, expenses and plan payments are</p> <p>25 reasonable."</p>	<p style="text-align: right;">Page 574</p> <p>1 - MARTI KOPACZ - VOLUME II-</p> <p>2 Marti Kopacz, day 2 of this deposition.</p> <p>3 The time is approximately 12:43 p.m.</p> <p>4 We're off the record and finished for the</p> <p>5 day. There are three DVDs to today's</p> <p>6 deposition.</p> <p>7 (Whereupon, the deposition concluded</p> <p>8 at 12:43 p.m.)</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

39 (Pages 571 to 574)

- MARTI KOPACZ - VOLUME II-  
A C K N O W L E D G E M E N T

STATE OF NEW YORK     )  
                                  ) ss.  
COUNTY OF NEW YORK     )

I, MARTI KOPACZ, hereby certify that I have read the transcript of my testimony taken under oath in my deposition of August 1, 2014; that the transcript is a true, complete and correct record of my testimony, and that the answers on the record as given by me are true and correct.

\_\_\_\_\_  
MARTI KOPACZ

Subscribed and sworn  
to before me on this the  
\_\_\_\_\_ day of \_\_\_\_\_, 2014.  
Notary Public, State of New York

- MARTI KOPACZ - VOLUME II-  
C E R T I F I C A T E  
STATE OF NEW YORK     )  
                                  ) ss.  
COUNTY OF NEW YORK     )

I, HOPE LYNN MENAKER, a Notary Public within and for the State of New York, do hereby certify:

That MARTI KOPACZ, the witness whose deposition is hereinbefore set forth, was duly sworn by me and that such deposition is a true record of the testimony given by the witness.

I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this August 4, 2014.

\_\_\_\_\_  
HOPE LYNN MENAKER